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STATE OF THE UNION MESSAGE

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT ON THE STATE OF THE UNION

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To the Congress of the United States:

When we first met here 7 years ago—many of us for the first time—it was with the hope of beginning something new for America. We meet here tonight in this historic Chamber to continue that work. If anyone expects just a proud recitation of the accomplishments of my Administration, I say let's leave that to history; we're not finished yet. My message to you tonight is: Put on your work shoes—we're still on the job.

History records the power of the ideas that brought us here those 7 years ago. Ideas like: the individual's right to reach as far and as high as his or her talents will permit; the free market as the engine of economic progress; and as an ancient Chinese philosopher, Lao-tzu, said: Govern a great nation as you would cook a small fish; do not overdo it.

These ideas were part of a larger notion—a vision, if you will, of America herself. An America not only rich in opportunity for the individual but an America, too, of strong families and vibrant neighborhoods; an America whose divergent but harmonizing communities were a reflection of a deeper community of values—the value of work, of family, of religion—and of the love of freedom that God places in each of us and whose defense He has entrusted in a special way to this Nation.

All of this was made possible by an idea I spoke of when Mr. Gorbachev was here: the belief that the most exciting revolution ever known to humankind began with three simple words: "We The People"—the revolutionary notion that the people grant government its rights, and not the other way around.

And there is one lesson that has come home powerfully to me, which I would offer to you now: Just as those who created this Republic pledged to each other their lives, their fortunes, and their sacred honor; so, too, America's leaders today must pledge to each other that we will keep foremost in our hearts and minds not what is best for ourselves or for our party, but what is best for America. In the spirit of Jefferson, let us affirm that, in this Chamber tonight, there are no Republicans, no Democrats, just Americans.

Yes, we will have our differences. But let us always remember: what unites us far outweighs whatever divides us. Those who sent us here to serve them—the millions of Americans watching and listening tonight—expect this of us. Let's prove to them and to ourselves that democracy works even in an election year.

We have done this before. And as we have worked together to bring down spending, tax rates, and inflation, employment has climbed to record heights; America has created more jobs and better, higher-paying jobs; family income has risen for 4 straight years, and America's poor climbed out of poverty at the fastest rate in more than 10 years. Our record is not just the longest peacetime expansion in history but an economic and social revolution of hope,

based on work, incentives, growth, and opportunity; a revolution of compassion that led to private sector initiatives and a 77-percent increase in charitable giving; a revolution that—at a critical moment in world history—reclaimed and restored the American dream.

In international relations, too, there is only one description for what, together, we have achieved: a complete turnabout, a revolution. Seven years ago, America was weak and freedom everywhere was under siege; today, America is strong and democracy is everywhere on the move. From Central America to East Asia, ideas like free markets and democratic reforms and human rights are taking hold. We've replaced "Blame America" with "Look Up to America." We've rebuilt our defenses; and, of all our accomplishments, none can give us more satisfaction than knowing that our young people are again proud to wear our country's uniform. In a few moments, I'm going to talk about three developments—arms reduction, the Strategic Defense Initiative, and the global democratic revolution—that, when taken together, offer a chance none of us would have dared imagine 7 years ago, a chance to rid the world of the two great nightmares of the postwar era. I speak of the startling hope of giving our children a future free of both totalitarianism and nuclear terror.

Tonight, then, we are strong. Prosperous. At peace. And we are free. This is the state of our Union. And if we will work together this year, I believe we can give a future President and a future Congress the chance to make that prosperity, that peace, that freedom, not just the state of our Union, but the state of our world.

Toward this end, we have four basic objectives tonight. First, steps we can take this year to keep our economy strong and growing, to give our children a future of low inflation and full employment. Second, let's check our progress in attacking social problems where important gains have been made but which still need critical attention. I mean schools that work; economic independence for the poor; restoring respect for family life and family values. Our third objective tonight is global: continuing the exciting economic and democratic revolutions we've seen around the world. Fourth and finally: our Nation has remained at peace for nearly a decade-and-a-half, as we move toward our goals of world prosperity and world freedom—we must protect that peace and deter war by making sure the next President inherits what you and I have a moral obligation to give that President: a national security that is unassailable and a national defense that takes full advantage of new technology, and is fully funded.

This is a full agenda. It's meant to be. You see, my thinking on the next year is quite simple: let's make this the best of eight. And that means: it's all out, right to the finish line. I don't buy the idea that this is the last year of anything; because we're not talking here tonight about registering temporary gains, but ways of making permanent our successes. That's why our focus is the values, principles, and ideas that made America great. Let's be clear on this point: We're for limited Government because we understand, as the Founding Fathers did, that it is the best way of ensuring personal liberty and empowering the individual so that

every American of every race and region shares fully in the flowering of American prosperity and freedom.

One other thing we Americans like is the future; we like the sound of it, the idea of it, the hope of it. Where others fear trade and economic growth, we see opportunities for creating new wealth and undreamed-of opportunities for millions in our own land and beyond. Where others seek to throw up barriers, we seek to bring them down; where others take counsel of their fears, we follow our hopes. Yes, we Americans like the future and like making the most of it. Let's do that now.

And let's begin by discussing how to maintain economic growth by controlling and eventually eliminating the problem of Federal deficits. We have had a balanced budget only eight times in the last 57 years. For the first time in 14 years, the Federal Government spent less, in real terms, last year than the year before. We took $73 billion off last year's deficit compared to the year before. The deficit itself has moved from 6.3 percent of the G.N.P. to only 3.4 percent. And perhaps the most important sign of progress has been the change in our view of deficits. You know, a few of us can remember when, not too many years ago, those who created the deficits said they would make us prosperous and not to worry about the debt because "we owe it to ourselves." Well, at last there is agreement that we can't spend ourselves rich.

Our recent budget agreement, designed to reduce Federal deficits by $76 billion over the next 2 years, builds on this consensus. But this agreement must be adhered to without slipping into the errors of the past—more broken promises and more unchecked spending. As I indicated in my first State of the Union, what ails us can be simply put: the Federal Government is too big and it spends too much money. I can assure you, the bipartisan leadership of Congress, of my help in fighting off any attempt to bust our budget agreement. And this includes the swift and certain use of the veto power.

Now, it is also time for some plain talk about the most immediate obstacle to controlling Federal deficits. The simple but frustrating problem of making expenses match revenues—something American families do and the Federal Government can't—has caused crisis after crisis in this city. Mr. Speaker, Mr. President, I will say to you tonight what I have said before—and will continue to say: the budget process has broken down, it needs a drastic overhaul. With each ensuing year, the spectacle before the American people is the same as it was this Christmas: budget deadlines delayed or missed completely, monstrous continuing resolutions that pack hundreds of billions of dollars worth of spending into one bill—and a Federal Government on the brink of default.

I know I'm echoing what you here in the Congress have said because you suffered so directly—but let's recall that in 7 years, of 91 appropriations bills scheduled to arrive on my desk by a certain date, only 10 made it on time. Last year, of the 13 appropriations bills due by October 1st, none of them made it. Instead, we had four continuing resolutions lasting 41 days, then 36 days, 2 days, and 3 days, respectively. And then, along came these behemoths. This is the conference report, a 1,053-page report weighing 14 pounds. Do you remember this? This is a reconciliation bill, 6

months late, that was 1,186 pages long, weighing 15 pounds, and the long-term continuing resolution. This one was 2 months late, and it was 1,057 pages long, weighing 14 pounds. That was a total of 43 pounds of paper and ink. You had 3 hours, yes, 3 hours to consider each, and it took 300 people at my Office of Management and Budget just to read the bill so the Government wouldn't shut down.

Congress shouldn't send another one of these. No. And if you do, I will not sign it.

Let's change all this; instead of a Presidential budget that gets discarded and a congressional budget resolution that is not enforced, why not a simple partnership, a joint agreement that sets out the spending priorities within the available revenues?

And let's remember our deadline is October 1st, not Christmas; let's get the people's work done in time to avoid a footrace with Santa Claus. Yes, this year—to coin a phrase—a new beginning. Thirteen individual bills, on time and fully reviewed by Congress.

I am also certain you join me in saying: Let's help ensure our future of prosperity by giving the President a tool that—though I will not get to use it—is one I know future Presidents of either party must have. Give the President the same authority that 43 Governors use in their States, the right to reach into massive appropriations bills, pare away the waste, and enforce budget discipline. Let's approve the line-item veto.

And let's take a partial step in this direction. Most of you in this Chamber didn't know what was in this catch-all bill and report. Over the past few weeks, we have all learned what was tucked away behind a little comma here and there. For example, there's millions for items such as cranberry research, blueberry research, the study of crawfish, and the commercialization of wild flowers. And that's not to mention the $.5 million so that people from developing nations could come here to watch Congress at work. I won't even touch that. So tonight, I offer you this challenge. In 30 days, I will send back to you those items, as rescissions, which if I had the authority to line them out, I would do so.

Review this multi-billion-dollar package; that will not undercut our bipartisan budget agreement. As a matter of fact, if adopted, it will improve our deficit reduction goals. And what an example we can set: that we are serious about getting our financial accounts in order. By acting and approving this plan, you have the opportunity to override a congressional process that is out of control.

There is another vital reform. Yes, Gramm-Rudman-Hollings has been profoundly helpful, but let us take its goal of a balanced budget and make it permanent. Let us do now what so many States do to hold down spending and what 32 State legislatures have asked us to do; let us heed the wishes of an overwhelming plurality of Americans and pass a constitutional amendment that mandates a balanced budget and forces the Federal Government to live within its means.

Reform of the budget process—including the line-item veto and balanced budget amendment—will, together with real restraint on Government spending, prevent the Federal budget from ever again ravaging the family budget.

Let's ensure that the Federal Government never again legislates against the family and the home. Last September, I signed an Executive Order on the family requiring that every department and agency review its activities in light of seven standards designed to promote and not harm the family. But let us make certain that the family is always at the center of the public policy process, not just in this Administration but in all future administrations. It is time for Congress to consider—at the beginning—a statement of the impact that legislation will have on the basic unit of American society, the family.

And speaking of the family, let's turn to a matter on the mind of every American parent tonight—education. We all know the sorry story of the sixties and seventies—soaring spending, plummeting test scores—and that hopeful trend of the eighties, when we replaced an obsession with dollars with a commitment to quality, and test scores started back up. There is a lesson here that we all should write on the blackboard a hundred times—in a child's education, money can never take the place of basics like discipline, hard work, and, yes, homework.

As a Nation we do, of course, spend heavily on education—more than we spend on defense—yet across our country, Governors like New Jersey's Tom Kean are giving classroom demonstrations that how we spend is as important as how much we spend. Opening up the teaching profession to all qualified candidates; merit pay, so that good teachers get A's as well as apples; and stronger curriculum, as Secretary Bennett has proposed for high schools—these imaginative reforms are making common sense the most popular new kid in America's schools.

How can we help? Well, we can talk about and push for these reforms. But the most important thing we can do is to reaffirm that control of our schools belongs to the States, local communities and, most of all, to the parents and teachers.

My friends, some years ago, the Federal Government declared war on poverty, and poverty won. Today, the Federal Government has 59 major welfare programs and spends more than $100 billion a year on them. What has all this money done?

Too often it has only made poverty harder to escape. Federal welfare programs have created a massive social problem. With the best of intentions, Government created a poverty trap that wreaks havoc on the very support system the poor need most to lift themselves out of poverty—the family. Dependency has become the one enduring heirloom, passed from one generation to the next, of too many fragmented families.

It is time—this may be the most radical thing I've said in 7 years in this office—it is time for Washington to show a little humility. There are a thousand sparks of genius in 50 States and a thousand communities around the Nation. It is time to nurture them and see which ones can catch fire and become guiding lights.

States have begun to show us the way. They have demonstrated that successful welfare programs can be built around more effective child support enforcement practices and innovative programs requiring welfare recipients to work or prepare for work.

Let us give the States even more flexibility and encourage more reforms. Let's start making our welfare system the first rung on

America's ladder of opportunity—a boost up from dependency; not a graveyard, but a birthplace of hope.

Now let me turn to three other matters vital to family values and the quality of family life. The first is an untold American success story. Recently, we released our annual survey of what graduating high school seniors have to say about drugs. Cocaine use is declining and marijuana use was the lowest since surveying began. We can be proud that our students are just saying "no" to drugs. But let us remember that ending this menace requires commitment from every part of America and every single American—a commitment to a drug-free America. The war against drugs is a war of individual battles, a crusade with many heroes—including America's young people, and also someone very special to me. She has helped so many of our young people to say "no" to drugs. Nancy, much credit belongs to you, and I want to express to you your husband's pride and your country's thanks. I surprised you, didn't I?

Now, we come to a family issue that we must have the courage to confront. Tonight, I call America—a good Nation, a moral people—to charitable but realistic consideration of the terrible cost of abortion on demand. To those who say this violates a woman's right to control of her own body—can they deny that now medical evidence confirms the unborn child is a living human being entitled to life, liberty, and the pursuit of happiness? Let us unite as a Nation and protect the unborn with legislation that would stop all Federal funding for abortion—and with a Human Life Amendment making, of course, an exception where the unborn child threatens the life of the mother. Our Judeo-Christian tradition recognizes the right of taking a life in self-defense.

But with that one exception, let us look to those others in our land who cry out for children to adopt. I pledge to you tonight, I will work to remove barriers to adoption and extend full sharing in family life to millions of Americans, so that children who need homes can be welcomed to families who want them and love them.

Let me add here: so many of our greatest statesmen have reminded us that spiritual values alone are essential to our Nation's health and vigor. The Congress opens its proceedings each day, as does the Supreme Court, with an acknowledgment of the Supreme Being—yet we are denied the right to set aside in our schools a moment each day for those who wish to pray. I believe Congress should pass our school prayer amendment.

Now, to make sure there is a full nine-member Supreme Court to interpret the law, to protect the rights of all Americans, I urge the Senate to move quickly and decisively in confirming Judge Anthony Kennedy to the highest court in the land and to also confirm 27 nominees now waiting to fill vacancies in the Federal judiciary.

Here then are our domestic priorities; yet if the Congress and the Administration work together, even greater opportunities lie ahead to expand a growing world economy; to continue to reduce the threat of nuclear arms and to extend the frontiers of freedom and the growth of democratic institutions. Our policies consistently received the strongest support of the late Dan Daniel of Virginia. I am sure all of you join me in expressing heartfelt condolences on his passing.

One of the greatest contributions the United States can make to the world is to promote freedom as the key to economic growth. A creative, competitive America is the answer to a changing world, not trade wars that would close doors, create greater barriers, and destroy millions of jobs. We should always remember: protectionism is destructionism. America's jobs, America's growth, America's future depend on trade—trade that is free, open, and fair.

This year, we have it within our power to take a major step toward a growing global economy and an expanding cycle of prosperity that reaches to all the free nations of this Earth. I'm speaking of the historic Free Trade Agreement negotiated between our country and Canada. And I can also tell you that we're determined to expand this concept, South as well as North. Next month I will be traveling to Mexico where trade matters will be of foremost concern. And, over the next several months, our Congress and the Canadian Parliament can make the start of such a North American accord a reality. Our goal must be a day when the free flow of trade—from the tip of Tierra del Fuego to the Arctic Circle—unites the people of the Western Hemisphere in a bond of mutually beneficial exchange; when all borders become what the U.S.-Canadian border so long has been—a meeting place, rather than a dividing line.

This movement we see in so many places toward economic freedom is indivisible from the worldwide movement toward political freedom—and against totalitarian rule. This global democratic revolution has removed the specter—so frightening a decade ago—of democracy doomed to permanent minority status in the world. In South and Central America, only a third of the people enjoyed democratic rule in 1976. Today, over 90 percent of Latin Americans live in nations committed to democratic principles.

And the resurgence of democracy is owed to these courageous people on almost every continent who have struggled to take control of their own destiny. In Nicaragua, the struggle has extra meaning because that nation is so near our own borders. The recent revelations of a former high-level Sandinista Major, Roger Miranda, show us that, even as they talk peace, the Communist Sandinista government of Nicaragua has established plans for a large 600,000-man army. Yet even as these plans are made, the Sandinista regime knows the tide is turning and the cause of Nicaraguan freedom is riding at its crest. Because of the freedom fighters, who are resisting Communist rule, the Sandinistas have been forced to extend some democratic rights, negotiate with church authorities, and release a few political prisoners.

The focus is on the Sandinistas, their promises and their actions. There is a consensus among the four Central American democratic presidents that the Sandinistas have not complied with the plan to bring peace and democracy to all of Central America. The Sandinistas again have promised reforms; their challenge is to take irreversible steps toward democracy.

On Wednesday, my request to sustain the freedom fighters will be submitted which reflects our mutual desire for peace, freedom, and democracy in Nicaragua. I ask Congress to pass this request; let us be for the people of Nicaragua what Lafayette, Pulaski, and

Von Steuben were for our forefathers and the cause of American independence.

So, too, in Afghanistan, the freedom fighters are the key to peace. We support the Mujahidin. There can be no settlement unless all Soviet troops are removed and the Afghan people are allowed genuine self-determination. I have made my views on this matter known to Mr. Gorbachev. But not just Nicaragua or Afghanistan; yes, everywhere, we see a swelling freedom tide across the world—freedom fighters rising up in Cambodia and Angola, fighting and dying for the same democratic liberties we hold sacred. Their cause is our cause: Freedom.

Yet, even as we work to expand world freedom, we must build a safer peace and reduce the danger of nuclear war. But let's have no illusions. Three years of steady decline in the value of our annual defense investment have increased the risk of our most basic security interests, jeopardizing earlier hard-won goals. We must face squarely the implications of this negative trend and make adequate, stable defense spending a top goal both this year and in the future. This same concern applies to economic and security assistance programs as well. But the resolve of America and its NATO allies has opened the way for unprecedented achievement in arms reduction. Our recently signed I.N.F. treaty is historic because it reduces nuclear arms and establishes the most stringent verification regime in arms control history, including several forms of short-notice, on-site inspection. I submitted the treaty today, and I urge the Senate to give its advice and consent to ratification of this landmark agreement.

In addition to the I.N.F. treaty, we are within reach of an even more significant START agreement that will reduce U.S. and Soviet long-range missile or strategic arsenals by half. But let me be clear: our approach is not to seek agreement for agreement's sake, but to settle only for agreements that truly enhance our national security and that of our allies. We will never put our security at risk—or that of our allies—just to reach an agreement with the Soviets. No agreement is better than a bad agreement.

As I mentioned earlier, our efforts are to give future generations what we never had: a future free of nuclear terror. Reduction of strategic offensive arms is one step. S.D.I. another. Our funding request for our Strategic Defense Initiative is less than 2 percent of the total defense budget. S.D.I. funding is money wisely appropriated and money well spent. S.D.I. has the same purpose and supports the same goals of arms reduction. It reduces the risk of war and the threat of nuclear weapons to all mankind. Strategic defenses that threaten no one could offer the world a safer, more stable basis for deterrence. We must also remember that S.D.I. is our insurance policy against a nuclear accident—a Chernobyl of the sky—or an accidental launch or some madman who might come along.

We have seen such changes in the world in 7 years: as totalitarianism struggles to avoid being overwhelmed by the forces of economic advance and the aspiration for human freedom it is the free nations that are resilient and resurgent. As the global democratic revolution has put totalitarianism on the defensive, we have left behind the days of retreat—America is again a vigorous leader of

the free world, a Nation that acts decisively and firmly in the furtherance of her principles and vital interests. No legacy would make me more proud than leaving in place a bipartisan consensus for the cause of world freedom, a consensus that prevents a paralysis of American power from ever occurring again.

But my thoughts tonight go beyond this. And I hope you will let me end this evening with a personal reflection. You know, the world could never be quite the same again after Jacob Shallus, a trustworthy and dependable clerk of the Pennsylvania General Assembly, took his pen and engrossed those words about representative Government in the Preamble of our Constitution. And in a quiet but final way, the course of human events was forever altered when, on a ridge overlooking the Emmitsburg Pike in an obscure Pennsylvania town called Gettysburg, Lincoln spoke of our duty to Government of and by the people and never letting it perish from the Earth.

At the start of this decade, I suggested that we live in equally momentous times—that it was up to us now to decide whether our form of Government would endure and whether history still had a place of greatness for a quiet, pleasant greening land called America. Not everything has been made perfect in 7 years—nor will it be made perfect in seven times 70 years—but before us, this year and beyond, are great prospects for the cause of peace and world freedom.

It means, too, that the young Americans I spoke of 7 years ago—as well as those who might be coming along the Virginia or Maryland shores this night and seeing for the first time the lights of this capital city, the lights that cast their glow on our great halls of Government and the monuments to the memory of our great men—it means those young Americans will find a city of hope in a land that is free.

We can be proud that for them, and for us, those lights along the Potomac are still seen this night—signaling, as they have for nearly two centuries and as we pray God they always will, that another generation of Americans has protected and passed on lovingly this place called America, this shining city on a hill, this Government of, by, and for the people.

Thank you and God bless you.

1988 LEGISLATIVE AND ADMINISTRATIVE MESSAGE
A UNION OF INDIVIDUALS

INTRODUCTION

In one sentence of 52 words, the Framers of our Constitution announced the proper ends of government in a free society:

> We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

The six purposes listed in the Preamble for establishing the Constitution serve as a lasting measure of the legitimate role of government. An American President has no more sacred duty than to ensure that the government stays within the constitutional limits that protect individual liberty. In assessing this Administration's policies and proposals now and for the future, the fundamental blueprint remains the Preamble of the Constitution.

In the past 7 years, our Administration has worked to restore a vision of government that was the Founders' own—a vision of a free and self-reliant people, taking responsibility for its own welfare and progress through such time-tested means as individual initiative, neighborhood and community cooperation, and local and State self-government. The return of responsibility and authority to the individual American is now leading to a virtual renaissance in America of liberty, productivity, prosperity, and self-esteem.

Our foreign and defense policies are geared to protect American freedom against external threats, to guarantee that our liberties are secure from the aggressions of those whose values are not founded in human freedom. Protection of liberty today means not just a strong America, but also a common defense with our allies of the free world. It gives me pride to report that our mutual efforts are being rewarded with a new growth of democracy and a renewed respect around the world for this country and what it stands for. At home our challenge remains to achieve full participation in the longest peacetime economic expansion on record—in the almost unlimited prosperity which flows from genuine human freedom.

This statement of Administration policy is organized according to the six basic tenets for which the American people first ordained and established the Constitution:

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I. To Form a More Perfect Union

In setting aside the Articles of Confederation for a new Constitution, the Framers acknowledged that the governmental deficiencies of the new Nation were of their own making. They understood that if the American republic were to endure and prosper, its organizing principles would have to be revised. The constitutional system the Framers produced has been the wonder of the free world, but after 200 years some aspects of that system are in need of repair and reform. Accordingly, I propose the following measures to "form a more perfect Union."

A. BALANCED BUDGET AMENDMENT

Before the Great Depression, the idea that the Federal government should balance its budget on a yearly basis was treated as though it were part of the Constitution. The economic crisis, and later World War II, forced the abandonment of this policy. But what may have been necessary in those national emergencies is now a permanent feature of the Federal government.

There is no question that continued Federal budget deficits, fueled by higher spending, are bad for the economy. Unfortunately, our political system makes it extremely difficult to reduce the deficit. The public interest in spending restraint is a generalized one, diffused among the entire citizenry. The special interests favoring spending on any particular program are smaller, but they fight much harder to maintain or increase spending.

Certainly, there are constructive proposals that would help control spending. Since 1981, our budgets have sought billions of dollars in reductions of outdated and outmoded programs. Members of the Congress and private think tanks have also identified wasteful spending. But the political process's inability to overcome inertia, along with the persistence of special interests, has led many Americans to despair of achieving budgetary balance without constitutional reform. That is why 32 States have applied to the Congress to call a constitutional convention for the purpose of proposing a constitutional amendment to require a balanced budget—only two States short of the number required by Article V of the Constitution.

In previous years, the Senate has approved such a balanced budget amendment that would obviate such a convention, but the House has failed to support it. This is clearly the option I prefer to achieve the constitutionally mandated balanced budget desired by the overwhelming majority of the American people.

It is imperative that the Congress consider such an amendment as a major priority for 1988, and I will be a willing partner in that enterprise.

B. BUDGET PROCESS REFORM

It is widely acknowledged, by the Congress, the press, and the American people, that the current budget process is not working. The Budget Act of 1974 was purported to streamline and rationalize the budget considerations by the Congress. The new process was

to "force" the various committees to consider their recommendations in the context of the entire budget and ensure that proper attention was paid to the bottom line—the deficit.

In both substance and form, the process has failed. Deadlines are routinely missed or ignored. Enforcement mechanisms are rarely employed. Debates over the same issue occur three and four times a year. And from the size of the deficit, the process has obviously failed to provide fiscal discipline.

Over the last 7 years, total revenues paid to the Federal government have increased by over $250 billion. But total expenditures have increased by some $325 billion. Part of the increased spending, $125 billion, or half of the increase in revenues, was devoted to rebuilding our national defenses. But last year, the government spent $140 billion more on domestic programs than in 1981 and $70 billion more on interest payments due to the deficit. And for every dollar the Congress has cut from my defense request, they have added $2 to domestic spending.

Nowhere is the failure of the budget process more evident than in the annual process of developing the appropriations bills that establish discretionary spending levels making up just under one-half the total budget. The regular process requires that 13 separate appropriations bills be sent to the President well in advance of the October 1 beginning of a new fiscal year. But the norm has been anything but normal—during the last 7 years, the Congress sent only 10 of the 91 required bills on time. In the last 2 years, not one bill has been on time and all 13 have been collapsed into one massive piece of legislation.

These increasingly large spending bills, passed at the last moment before existing funding expires, deny the Congress and the Executive the ability to adequately examine their contents. The Congress cannot truly vote on their merits and the President has little ability to employ a veto.

While Gramm-Rudman-Hollings has helped restore some fiscal discipline, it simply adds another layer to an already broken process. The threat of across-the-board cuts is only partially effective as major portions of the budget are exempt. And G-R-H does not produce what a truly effective budget process should; namely, a thorough consideration of spending priorities within the constraints of available revenues. To assist the next administration in attaining the deficit targets contained in the Gramm-Rudman-Hollings law and achieve a balanced budget within the next few years, the following changes in the budget process are proposed:

—*Joint Budget Resolution.*—The budget process has so degenerated in recent years that the Presidential budget is routinely discarded and the congressional one regularly goes unenforced. The product of this breakdown is a concurrent resolution, requiring neither consultation with the Administration nor the signature of the President. As a remedy, I propose that henceforth the Congress and the Executive collaborate on a joint resolution that sets out spending priorities within the revenues available. The requirement of a Presidential signature would force both branches of government to resolve most policy issues before formulating appropriations measures. The budget proc-

ess could be further improved by including in the budget law allocations by committee as well as by budget function.

—*Individual Transmittal of Appropriations Bills.*—The current practice of transmitting full-year omnibus continuing resolutions oversteps appropriation committee/subcommittee jurisdictions. More important, it does not permit the Legislative and Executive branches to exercise proper scrutiny of Federal spending. Therefore, I propose a requirement that appropriations bills be transmitted individually to the President.

—*Strict Observance of Allocations.*—During the 1980s, an unacceptable budget practice evolved of disregarding congressionally approved function allocations. Funds regularly were shifted from defense or international affairs to domestic spending. I strongly urge that each fiscal year separate defense and nondefense allocations be made and enforced through a point-of-order provision in the budget act.

—*Enhanced Rescission Authority.*—Under current law, the President may propose rescissions of budget authority, but both houses of Congress must act "favorably" for the rescission to take effect. The Supreme Court in the *Chadha* decision (1983) effectively moots even this limited authority. I propose a change of law that would cure the legislative veto defect and require the Congress to vote "up or down" on my Presidentially proposed rescission, thereby preventing the Congress from simply ignoring the rescission or avoiding a recorded vote.

—*Adopt Biennial Budgeting.*—The current budget process consumes too much time and energy. A 2-year budget cycle offers several advantages—among them, a reduction in repetitive annual budget tasks, more time for congressional oversight and consideration of key spending decisions in reconciliation, and fewer gimmicks, such as shifting spending from one year to the next. I am calling on the Congress to adopt biennial budgeting, beginning with a trial 2-year Defense budget.

—*Truth in Federal Spending Legislation.*—As part of my Economic Bill of Rights proposal, I outlined legislation that provides for "Truth in Federal Spending." Soon I will transmit legislation that will require any future legislation creating new Federal programs to be deficit-neutral; this will be done by requiring the concurrent enactment of equal amounts of program reductions or revenue increases. Additionally, my proposed legislation would require that all future legislation and implementing regulations be accompanied by financial impact statements detailing the measure's likely economic impact, including the effect on State and local governments. Enactment of this proposal would be an important step toward reassuring the American people that the Congress is serious about controlling government spending.

C. LINE ITEM VETO

A President should have the same tools to control spending that 43 governors have. I will forward my proposal for a line item veto. It would allow future Presidents to remove from spending bills those items that are extraneous—without threatening the continu-

ation of vital government programs. The Congress could override each veto by a two-thirds vote in each House. The budget crisis, however, also demands immediate action. For example, last month the Congress presented me with a catchall spending bill with many extraneous and costly provisions, some of which had been considered for the first time in conference. I am asking the Congress immediately to accept the responsibility for making its own processes work, rather than giving up and resorting to a continuing resolution.

D. SUPER-MAJORITY TAX AMENDMENT

Our Founding Fathers knew that without economic freedom there can be no political freedom. Even before our Nation was full-born, nine colonies assembled in a "Stamp Act Congress" and worked their will to oppose taxation without representation. Today, we must once again resolve to put an end to irresponsible taxation and spending. We have fallen into a costly and dangerous habit, which could threaten our future prosperity, burden future generations, and reduce the incentive of individuals and businesses to create more goods and services.

It is clear that we need a mechanism to control expenditures of Americans' hard-earned money. To this end, I will send to the Congress a proposed constitutional amendment to require a super-majority vote in the Congress in order to increase the tax burden on our citizens. I urge the Congress to act expeditiously in approving this amendment and to send it to the States for ratification.

E. FEDERALISM—RETURNING POWER TO THE PEOPLE

At the time of my first State of the Union address, it was apparent that the limited national government envisioned by the Framers had been replaced by a national government whose involvement in domestic affairs was limited only by its own will. The Founders understood that unchecked central authority threatens individual liberties. Accordingly, they constituted a Federal system of government, with all powers not specifically granted by the Constitution to the national government reserved to the States and to the people.

We have sought to revitalize the principle of federalism by reforming the institutional processes of the national government. This past October, I signed Executive Order 12612, which requires Executive officials to ensure that all proposed policies and legislation comply with federalism principles and to conduct a formal federalism assessment as appropriate, and which restricts Federal preemption of State laws. The Congress should review its legislative procedures to determine whether reforms similar to those in Executive Order 12612 are warranted.

The National Governors Association and the Advisory Commission on Intergovernmental Relations, as well as State and local officials, have been examining possible amendments to the Constitution that would restore the structural balance of power between the national government and the States. If we in Washington are unsuccessful in reviving the constitutionally crucial principle of federalism, it may become necessary to consider such proposals.

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II. To Establish Justice

For 200 years our Republic has enjoyed a constitutional system that is the envy of the world. By its own terms and by the will of the American people, the Constitution is the supreme law of the land. Yet in recent years, some have advocated and at times have succeeded in promoting a laxity in the observance of the terms of its text. Fortunately, I can count as one of the most satisfying legacies of my presidency the work my Administration has done to restore the foundations of American government through an insistence on the faithful interpretation and observance of the Constitution.

A. JUDICIAL APPOINTMENTS

In the elections of 1980 and 1984, I promised the American people that I would nominate judges and justices to the Supreme Court who would be faithful to the Constitution. I have kept that promise.

Our written Constitution, adopted and ratified by the people 200 years ago and amended several times since, is our fundamental law. Every government official takes an oath to abide by its provisions. For members of the Congress, this should mean enacting laws only in pursuance of the powers set forth in the Constitution. As President, this means taking care that the laws are faithfully executed. To the courts falls the task of adjudicating cases or controversies according to the Constitution and the laws made under it. In so doing, judges must faithfully interpret the text of the Constitution, as well as laws passed by the Congress, as written, in accordance with their original meaning. To do otherwise would constitute a usurpation of legislative power never intended by the American people. With this in mind, I have been careful to nominate only judges faithful to this principle. I urge the Senate to be guided by the same standards in exercising its constitutional duty in the confirmation process.

Part of faithfully interpreting the law is seeing to it that those convicted of crimes are dealt with fairly but firmly. In this respect, I am particularly proud of my judicial appointments. Federal court records indicate that between 1981, when I first took office, and 1984, the average sentence handed down by a Federal court per conviction increased dramatically—by over 100 percent for rape, over 100 percent for burglary, and over 60 percent for murder. I will continue to nominate judges who are tough on crime. When the Senate adjourned last year, 27 judicial nominations were left pending—an unprecedented number—and other vacancies are yet to be filled as well. The Chief Justice of the United States has stated that the high number of vacancies is contributing to an enormous backlog for the Federal courts. The Senate must act expeditiously to confirm these judges.

B. CIVIL RIGHTS

Among the greatest imperatives in establishing justice is the elimination of discrimination based on race, sex, and other immutable characteristics. Discrimination based on religion is equally invidious. This Administration has held high the banner of equal op-

portunity for all Americans, and we will not retreat from the fight against discrimination wherever it exists.

Our achievements have been significant. We have successfully prosecuted racial hate groups and have achieved more convictions for criminal civil rights violations than any previous administration. We have moved aggressively to enforce our Nation's voting rights laws, thereby securing for thousands of citizens the most fundamental of all rights—the right to help shape their future with a ballot.

In desegregating our Nation's public schools, we have placed the emphasis where it should be—on enhancing educational quality for all children.

I am particularly proud of our successes in moving America closer to the constitutional ideal of a color-blind society open to all without regard to race. In the workplace, we have rejected the use of quotas and have insisted on fair treatment in hiring and promotion decisions. And after 3 years of effort by this Administration, the Fair Housing Initiatives Program has finally been authorized. The Federal government will now be able to provide direct assistance to State and local governments, as well as public and private organizations, investigating complaints of housing discrimination. The 20th anniversary of the Fair Housing Act of 1968 is an appropriate time to strengthen the statute by increasing the penalties for those convicted of housing discrimination and by extending the protections of the Act to handicapped persons. This Administration will submit appropriate legislation to achieve this purpose. Every American is entitled to freedom from discrimination—to be judged on the basis of qualification and performance, not on streotypes and unfair assumptions.

Currently pending in the Senate, however, is a bill whose vague and sweeping language threatens to subject nearly every facet of American life—from the corner grocery to the local church or synagogue to local and State government—to intrusive regulation by Federal agencies and courts. Ironically it does so in the name of civil rights. This Administration opposes this overreaching legislation known as the Civil Rights Restoration Act of 1987 (S. 557). In its stead, I have proposed a bill that provides institution-wide coverage under the appropriate civil rights statutes of educational institutions receiving Federal aid while avoiding an unwarranted expansion of Federal jurisdiction. My proposal, the Civil Rights Act Amendments of 1987 (H.R. 1881), also ensures adequate protection of religious tenets under Title IX and makes clear that no institution must provide insurance coverage for abortions or perform abortions as a condition of the receipt of Federal aid.

C. PROTECTION OF VICTIMS OF OBSCENITY AND CHILD PORNOGRAPHY

In establishing justice we must be ever mindful that our cherished constitutional freedoms cannot be distorted to protect activities that exploit the innocent and defenseless. The production and distribution of obscene materials, as well as child pornography, are such activities. Our Administration has made the elimination of these materials a top domestic priority.

The Attorney General's Commission on Pornography report has resulted in several new law enforcement efforts, foremost among these being the establishment of a special enforcement unit within the Department of Justice. In a single operation in 1987 more purveyors of child pornography were federally indicted than at any time in history, and the first Federal obscenity racketeering convictions were recently returned in Virginia. However, much more can be done to protect our children and families if the Congress enacts my proposed Child Protection and Obscenity Enforcement Act of 1987. It would criminalize buying and selling children for use in pornography, and it would also prohibit dial-a-porn and cable obscenity. It would strengthen our laws against organized crime traffic in hard-core obscenity.

D. LEGAL SERVICES FOR THE NEEDY

Provision of needed legal services for those who cannot afford them is an important goal of our society. Unfortunately, the current system administered by the Legal Services Corporation (LSC) is not working. Each year the Congress has mandated that a large portion of these funds be allotted to a group of "National and State Support Centers." Since 1975 these law reform think tanks have been criticized for political involvement and have not provided any day-to-day service to the poor—the original intent of the LSC. Instead, they have concentrated on social "law reform," without regard to a particular client's needs. I call on the Congress to disallow LSC funds for political think tanks or "support centers" and through strong and specific legal language to limit any political lobbying by LSC grantees. All LSC funds should be used to assist *directly* the poor in need of legal help.

There is another way in which the needy are being badly served by LSC. A congressionally mandated poliicy of "Annual Presumptive Funding" precludes the possibility of awarding LSC grants on a competitive basis. LSC must be able to demand results from grantees or give other prospective grantees opportunity better to serve the poor. While stability is desirable, we must be able to weed out inefficient or incapable grantees.

III. To Ensure Domestic Tranquillity

The leading threat to domestic tranquillity comes in the form of criminal offenses of citizen against citizen. When I took office crime rates were soaring. The public, with good reason, felt unsafe in our streets and often even in homes and places of work. Determined to give America back to its law-abiding citizens, our country is in the midst of the most vigorous crime-fighting effort in its history. Passage of the Comprehensive Crime Control Act of 1984, appointment to the bench of Federal judges who are tough on crime, and an unprecedented attack on organized crime are efforts that have paid off. In spite of our successes, however, much remains to be done.

A. RESTORATION OF THE FEDERAL DEATH PENALTY

Federal statutes currently provide for capital punishment for the offenses of espionage, treason, murder, and certain other felonies

such as air piracy. Except in the case of the air piracy statute, enacted in 1973, these death penalty provisions are not accompanied by appropriate procedures required since the Supreme Court's 1972 decision in *Furman* v. *Georgia* to prevent disparate application. In this respect, the Congress has lagged well behind the State legislatures, more than 40 of which have acted to adopt appropriate death penalty procedures since the *Furman* decision.

Fortunately a solution is at hand. The Comprehensive Crime Control Act of 1984 created the United States Sentencing Commission to promulgate sentencing guidelines to insure consistent, tough, and equitable sentencing. The Commission should go forward now to set in place procedures to permit the constitutional imposition of capital sentences for the most serious Federal offenses.

B. CRIMINAL JUSTICE REFORM ACT

To protect further society from criminals, the Congress should act promptly on the Criminal Justice Reform Act, which I transmitted last year. By statute it would establish uniform procedures that would allow death penalty provisions in current Federal statutes to be enforced according to recent Supreme Court decisions. It also contains important reforms to curb the abuse of *habeas corpus* by convicted criminals and to promote truth in the courtroom by ensuring that evidence obtained by the police through reasonable searches and seizures can be used at trial. These important protections for the public will complete the anti-crime effort we began with the Comprehensive Crime Control Act of 1984. They were approved by the Senate in 1984 and in part by the House of Representatives in 1986. The time has come—this year—to enact them into law.

C. VICTIMS OF CRIME

In 1982 my Task Force on Victims of Crime pointed out that all too often crime victims suffer doubly—they are first victimized by criminals and then by an inadequate justice system. My Administration has put into effect a number of the Task Force recommendations. The most important of these has been the development of model legislation mandating the protection and fair treatment of crime victims, which by 1986 had become the basis for legislative action in nearly two-thirds of the States. I am directing the Attorney General to press forward on the remaining Task Force recommendations.

D. THE FIGHT AGAINST TERRORISM

Innocent Americans and freedom-loving people across the world have become the victims of terrorists. But this Nation will not be held captive to the will and whim of terrorists.

This Administration is considering a series of legislative proposals designed to strengthen our hand against terrorists. These include proposals for the expeditious removal of aliens from the United States who are engaged in terrorist activity and proposals providing for criminal and civil forfeiture of terrorists' assets.

State-sponsored terrorism, fomented by governments whose conduct and support for such acts put them outside the community of nations, remains a scourge on the international scene and a particular threat to our citizens and interests. We must further develop the rule of law against these criminals by denying terrorists the legitimacy of international instruments condoning their activities. The Senate should give its advice and consent to ratification, with certain reservations, of Additional Protocol II to the 1949 Geneva Conventions, which would serve to promote basic human rights. The Administration has rejected Additional Protocol I, which would give combatant status to terrorist organizations, and I welcome congressional support of this decision.

E. ORGANIZED CRIME

For over a half-century this Nation has been plagued by organized crime. Due to vigorous efforts by Federal investigators and prosecutors, some of the most infamous leaders of organized crime are now facing long jail terms. This progress has come through a new strategy aimed at penetrating crime syndicates and targeting their leadership for prosecution. Strike forces have focused on several major cities such as Cleveland, Kansas City, and Boston. One of our most recent successes was in March of 1987 when a jury in New York returned 18 guilty verdicts in the "Pizza Connection" case involving $50 million in laundered proceeds from heroin sales by an organized crime group. In addition, our Administration's Comprehensive Crime Control Act of 1984 has enabled police to detain pending trial certain organized crime figures who previously could have made bail and has dramatically expanded our ability to seize and forfeit the assets of mob members.

Yet, mob-run crime is still a grave problem. Obscenity, extortion, drug importation and sales, loan sharking, illegal gambling, and murder are all crimes that we intend to hit hard during the remainder of this Administration. Our goal is to put "the mob" out of business through vigorous use of both criminal and civil statutes, by purging organized crime elements from labor organizations, and by targeting the newer, "emerging" organized crime groups to ensure that they never wield the mob's power and influence.

F. PRISON CAPACITY EXPANSION

One result of our increased efforts to fight crime is that the number of criminals serving time in Federal prisons has increased dramatically—nearly 80 percent since 1981. We anticipate that the Federal inmate population will continue to increase in the future, particularly in light of the enhanced criminal penalties contained in the Anti-Drug Abuse Act of 1986 and the new sentencing guidelines. One of my top priorities for the next year will be to increase substantially the construction of new prison space to accommodate the increased number of criminals being removed from our streets.

G. DRUG FREE AMERICA

In the past 7 years, the Nation has made tremendous gains towards a drug free America. Today, public attitudes are clearly against the use of illegal drugs, and drug awareness is increasing.

The national prevention effort has taken off with its own strong momentum. Individuals and communities, businesses and schools are taking a firm stand against the use of illegal drugs. Most important, the number of drug users is down; and our children are showing us that they are willing and able to say "no" to drugs.

We are on our way to a drug free future. Still, illegal drugs continue to destroy the lives and the hopes of hundreds of thousands of Americans each year, especially young people whose future lies before them. Since the beginning of my Administration, I have committed the Federal government to provide national leadership and support to the national crusade, encouraging and assisting private sector efforts and aggressively pursuing Federal responsibilities to stop the supply and use of illegal drugs. The National Drug Policy Board, which I established by Executive order on March 26, 1987, has ensured that our Federal agencies work together effectively and efficiently. The Board has named lead agencies for all facets of the anti-drug program to improve coordination throughout the government and enable us to achieve maximum impact with our resources. To this end, the Board has developed a series of nine interrelated strategies.

Five strategies are aimed at reducing the supply of illegal drugs: enhanced *international* cooperation; stepped-up *interdiction* of drugs coming into the country; improved *intelligence* on drug activities; stepped-up *investigations* to eliminate drug trafficking organizations; and targeting *prosecution* of top drug organizations. Simply put, we are working with our allies throughout the world to reduce the amount of illegal drugs produced or processed; making sure that as little as possible of those illicit drugs enter this Nation; and Federal, State, and local officials are working together to investigate and prosecute to the fullest these merchants of destruction.

And we are working to reduce the demand for drugs. Nancy and I join the millions of parents across the country who know too well that real progress toward the goal of a drug free America will best be measured by preventing individuals who do not use drugs from beginning to use them and by convincing those who do use to stop.

Our four strategies to reduce demand are: *prevention education* to keep young people from becoming drug users; reduction of drug use by *high-risk youths;* improved community-based *treatment* for addicts whose drug habits have removed them from the American mainstream; and fostering attitudes of intolerance toward drug use on the part of *mainstream adults.*

Every American should be able to enjoy a drug free workplace. Schoolchildren should have drug free schools. Every citizen should be able to rely on a Federal work force free from drugs. And every American should be able to enjoy a drug free transportation system. This Administration is working in partnership with private employers and State and local governments to ensure all four.

We are proceeding with a cooperative national effort to reduce and eventually eliminate drugs from government housing projects. The Department of Education issued *Schools Without Drugs* and has mobilized school, parent, and community efforts to take drugs away from young people and give them back their lives.

These efforts have already begun to produce results. In 1987, for the first time since the National Institute on Drug Abuse began its annual survey of high school seniors in the early 1970s, a significant drop—one-third—in current cocaine use was revealed. Ninety-seven percent of the seniors polled disapproved of regular cocaine use, and 87 percent disapproved of even trying it—strong evidence that cocaine use is no longer "in" among young Americans.

Finally, as the Nation's largest employer, the Federal government is committed to establishing a model for a drug free workplace that deals constructively with illegal drug use. We are establishing a broad drug education training program for all employees. The program includes testing of employees holding safety-sensitive positions. For example, the Department of Transportation has already implemented drug-testing programs for employees in such positions, including air-traffic controllers and airline safety inspectors. Indeed, fair and accurate drug testing is one of the few effective ways to ensure that illegal drug users begin the process of rehabilitation. Agency programs that include random testing to identify these drug users will be ready for implementation in 1988. We are putting our money where our heart is. In the past 7 years, there has been a three-fold increase in Federal spending to fight drugs, bringing the total close to $3.5 billion this year.

I worked closely with the Congress to enact the Anti-Drug Abuse Act of 1986, which embodies a national commitment to fight drug abuse through: increased criminal penalties, improved criminal investigation and prosecution, demand reduction, better international cooperation, and more effective interdiction. The Act also established the White House Conference for a Drug Free America. Already it has hosted six regional forums to facilitate information gathering and interchange on various aspects of the drug issue. The Conference will hold a national assembly in Washington next month that will expand upon the findings of the regional conferences, showcase the best of the Nation's efforts, and highlight new proposals for combatting drug use in this country. I look forward to the group's final report this spring in order to work with the Congress to implement its recommendations and promote our vision of a drug free America.

IV. To Provide for the Common Defense

Our government has no higher duty than defense of the freedom of the American people. On this point, Alexander Hamilton and James Madison, two of the most eminent Framers of our Constitution, were in complete agreement. Wrote Alexander Hamilton in *The Federalist*, "The circumstances which endanger the safety of nations are infinite, and for this reason no constitutional shackles can wisely be imposed on the power to which the care of it is committed." James Madison concurred, "The means of security can only be regulated by the means and the danger of attack."

In our constitutional framework, the President and the Congress share the vital responsibility for ensuring our national security. Within this same constitutional framework, however, the President has important independent powers. Both of these constitutional

principles apply to the agenda of national security issues we will face in 1988 and beyond.

Our two branches of government clearly share powers in such areas as planning and budgeting for the maintenance of our defense capability; the ratification of treaties, as in the case of the INF Treaty; and foreign economic and security assistance, that vital instrument of our foreign policy. At the same time, the Congress must respect the constitutional wisdom that only the President can act as the effective Executive agent in the conduct of foreign relations. This truth is long established in our constitutional law and practice. And the President, in order to act effectively in the Nation's behalf, needs the flexibility to respond, within the framework of law, to often unpredictable and fast-moving challenges.

In 1980, I promised as my first priority to rebuild our national defenses to meet the Soviet military challenge and to restore America's standing as leader of the Free World. Immediately this Administration went to work to rebuild our military, to restore morale in the services and national pride among our people, and to make America once again the leader of free nations. As a result, we are now able to deal from strength with our adversaries and to promote and sustain the efforts of valiant men and women around the globe who are struggling to win or preserve their freedom. Peace is our goal, but we must guard the power and responsibility to meet every challenge.

A. EAST-WEST RELATIONS

On the basis of our renewed strength, and a policy of realism in the pursuit of peace, we have in the past 7 years taken great strides toward a world in which freedom can flourish. In the coming year, we face new challenges and new opportunities, and I hope that the Congress will be my partner in addressing both.

Today I have submitted to the Senate for its advice and consent to ratification the Treaty Between the United States of America and the Union of Soviet Socialist Republics on the Elimination of Their Intermediate-Range and Shorter-Range Missiles. This INF Treaty is the first agreement ever to *reduce* and not simply *limit* the buildup of nuclear weaponry, and it provides for the elimination of an entire class of U.S. and Soviet nuclear missiles. It contains the most stringent verification regime in the history of arms control. This treaty represents the culmination of 6 years of hard negotiation. After the West showed strength and solidarity, the Soviets joined us in an agreement to ban such weapons on both sides.

On the basis of similar strength and fortitude, and support from the American people and the Congress, we are engaged in serious negotiations with the Soviet Union on an agreement that could reduce strategic nuclear offensive forces by 50 percent. The United States and Soviet Union are negotiating for effective verification measures that would make it possible to ratify the U.S.-U.S.S.R. Threshold Test Ban Treaty of 1974 and Peaceful Nuclear Explosions Treaty of 1976.

These accomplishments depend on maintaining our strength. It should now be unmistakably clear that our determined program to

rebuild our military strength and my Strategic Defense Initiative have spurred major advances in arms reduction, as well as strengthening our own and allied security. These efforts must not be undercut.

In addition, I must reiterate what I said last year—that legislating Soviet arms control positions into American law is not the way to get good agreements. I will veto legislation that undermines national security and undercuts our negotiating position.

The issue between East and West, of course, is not simply arms control. Efforts by the Soviet Union and its surrogates to suppress freedom are major sources of international tensions. Experience shows these efforts to be significant obstacles to improvements in U.S.-Soviet relations.

Human rights and regional conflicts are key issues on my agenda with the Soviet Union. Unfortunately, I can report to you only very limited improvement in both of these areas. For instance, while a few Soviet political prisoners have been released, and there has been some increase this past year in the emigration of Soviet Jews, many more prisoners remain, and many thousands of Soviet Jews are still denied the basic right to emigrate. Furthermore there has been no significant change in Soviet involvement in or provocation of regional conflicts, despite the repeated Soviet lip service to the need for peaceful solutions.

B. DEFENSE BUDGET

Our defense budget proposals represent an essential program for maintaining our defensive strength. The defense budget has already been reduced to levels that will require us to delay the achievement of important defense objectives. Anything less will jeopardize not only our national security and that of our allies but also the prospects for fair agreements negotiated with our adversaries.

With this in mind we must continue with the Strategic Modernization Program as an essential guarantor of Free World security at the same time as we seek clear-cut and effectively verifiable strategic arms reductions. We must also continue the modernization of nuclear, conventional, and chemical deterrence forces supporting our commitments to our allies. Additionally, we must ensure that the conventional force disparities between NATO and the Warsaw Pact are redressed through a combination of negotiated reductions and the strengthening of NATO capabilities.

My Strategic Defense Initiative (SDI) is not simply a program of research and development of new technology. It offers hope of a reorientation of strategy—hope for a world in which strategic defenses, which threaten no one and can block a ballistic-missile attack, play a greater role in maintaining deterrence. This is a vital program. It is an investment in a safer world for our children, and it is insurance against violations of arms reduction agreements. It reinforces our negotiating efforts. I will ask the Congress to provide increases in funding necessary for essential SDI research, development, and testing. It is a cornerstone of our security strategy for the 1990s and beyond. And when it is ready, we will deploy it.

Despite reductions in defense funding, we must attempt to maintain the strength of our technology base, pursuing new developments in conventional weapons technology. We must also continue our Armaments Cooperation initiatives with our allies to realize improvement in acquisition management and the advantages of shared technological advances among our allies.

We will maintain, where necessary, the deployment of U.S. military forces throughout the Free World as a deterrent to those who might act to threaten peace and freedom and as evidence of solidarity with our allies and other friendly nations.

We must continue to develop and to exercise our capabilities to respond to low-intensity conflict. These simmering confrontations below the threshold of large-scale conventional war undermine the political, economic, and security interests of the United States and its allies and friends.

We must complete the revitalization of our special operations capability begun early in this Administration and preserve that capability in the ensuing years.

Similarly, we need a vital and effective intelligence capability. We must ensure that this capability is effectively managed and that the President has the ability to employ it flexibly. I will not accept legislation governing the conduct of intelligence activities that does not preserve the flexibility that is required if our intelligence community is to do its job. To improve the military intelligence support to U.S. military commanders, especially in the vital area of human intelligence collection, I am seeking legislation to authorize the Secretary of Defense to establish commercial entities to provide cover for certain Department of Defense foreign intelligence collection activities.

As we address the resource requirements for our defense efforts, we must also streamline the process of resource allocation. For this reason, I urge the Congress to shift fully to a 2-year defense authorization and appropriation cycle. This Administration continues to press initiatives that streamline and strengthen the Federal procurement process to dramatically increase competition in the award of Federal contracts. We are placing particular emphasis on the findings of the Blue Ribbon Commission on Defense Management (The Packard Commission) and especially those recommendations having government-wide effect.

C. DEMOCRACY AND FREEDOM

America's goal is both peace and freedom. Americans have always believed that liberty was not the birthright of a fortunate few but of all mankind. And we are inspired in this period by the stirring sight of democracy flourishing anew in many regions of the world—from Latin America to the Philippines to the Republic of Korea.

Most remarkable is the struggle of those directly resisting aggression sponsored by the Soviet Union and its surrogates—in Afghanistan, in Cambodia, in Nicaragua, and in Angola.

I strongly support the cause of the brave Freedom Fighters of Nicaragua. On this issue there have been differences between the Executive branch and the Congress, but there are also shared prin-

ciples: that there must not be a Cuban or a Soviet-bloc military base in Nicaragua, because such a base would threaten the United States and the other nations in the Hemisphere; that Nicaragua must not pose a military threat to its neighbors or provide a staging ground for subversion or destabilization; and that Nicaragua must respect the basic freedoms and human rights of its own people, including the original pledges the Sandinista regime made to the Organization of American States in 1979.

It is now widely accepted that democracy *within* Nicaragua is the core issue in the conflict in Central America. It is the attempt of the Communist Sandinista regime to consolidate its monopoly of power that has led to armed rebellion. The Guatemala Peace Accord, reached last August, recognizes the importance of democracy within Nicaragua—of total amnesty for political prisoners, or negotiations with the armed resistance for a cease-fire. The outcome of the January 15 San Jose meeting to evaluate compliance with the Guatemala Peace Accord presents important opportunities to further peace and democracy in the troubled Central American region.

At the San Jose Summit there was a clear consensus among the four Central American democratic presidents that the Sandinistas had not complied with the Peace Accord. By making his last-minute promises President Ortega acknowledged the accuracy of that judgment.

The key issue is whether the Sandinistas are now committed to genuine and enduring democracy or do they just seek the elimination of the Nicaraguan Democratic Resistance.

The Nicaraguan Democratic Resistance is the best insurance policy for keeping the peace process on track and producing a democratic outcome in Nicaragua. This is not the time to falter in our support for the Freedom Fighters. The United States must not abandon those fighting for democracy in Nicaragua until true democracy is attained.

In Afghanistan, we maintain our firm and unwavering support for the heroic struggle of the Afghan Resistance against the Soviet occupation. We will never agree to any steps that put the Afghan Resistance, or Afghan hopes for self-determination, at risk.

We support a peaceful solution, but such a solution can be achieved only if the Soviet Union withdraws its forces promptly and completely and allows Afghans themselves to determine their political future. As I reminded Secretary General Gorbachev during the December Summit, a prompt and permanent Soviet withdrawal would open the way to further improvements in U.S.-Soviet relations. Let 1988 be the year that sees an end to the Soviet occupation of Afghanistan.

We shall continue our policy in the Persian Gulf to promote stability in the region, maintain freedom of navigation, and promote peace between Iran and Iraq. This bloody conflict has been prolonged because of Iran's intransigence and its attempts to intimidate and threaten the countries of the area and disrupt freedom of navigation. As a result of our policy, we have broadened and strengthened our relationship with the countries of the Gulf Cooperation Council, and our vital interest in the free flow of oil in and out of the Gulf has been protected. We are actively pursuing an

arms embargo resolution against Iran, which has refused to comply with the cease-fire demand of the United Nations Security Council.

At the same time, we will work actively to promote peace between Israel and its Arab neighbors. The violence in the West Bank and Gaza is a vivid reminder of the dangers of the status quo. We, along with those in the area, must work together to give the Palestinians a reason for hope, not despair. Stability in the Middle East requires a just and lasting settlement of the Arab-Israeli conflict—a settlement that both assures Israeli security and recognizes the legitimate rights of the Palestinians. We are committed to achieving such a settlement.

The cause of democracy and freedom worldwide is promoted by our program of economic and security assistance to our allies and friends. Central to our security and to the preservation of peace are our ties with allies and friends, including NATO and our East Asian allies—Japan, Korea, the Philippines, and Thailand. Enormous progress has been made in this decade in restoring America's influence in the world and in expanding the horizons of democracy. To further reduce our foreign assistance programs would be a tragic mistake. Economic assistance, especially when coupled with wise internal policies, helps friendly countries prosper; security assistance helps them carry the burden of their self-defense, often in regions of strategic importance for the Free World. In many cases, our aid programs help countries on whose territory there are facilities that support the mutual defense or whose democratic aspirations we wish strongly to support—such as the Philippines. Our assistance programs have also been vehicles for encouraging structural economic policy reforms that promote prosperity, in part through greater reliance on free markets. This crucial support for basic American goals must be restored.

Since the enactment of comprehensive reform of our Nation's immigration laws in the fall of 1986, the flow of illegal aliens across our southern border has been reduced significantly. Our Nation continues to provide open avenues of legal immigration that each year allow 600,000 people to join our ranks as permanent residents. As in the past, a significant portion of these new arrivals are individuals seeking refuge from oppression in their home countries. I am pleased to report the Department of Justice has taken two important steps toward fairer, more expeditious consideration of the asylum applications of persons suffering persecution because of their religious and political beliefs. An Asylum Policy and Review Unit, charged with reviewing asylum cases, has been created directly within the Department. In addition, a change has been proposed in the Immigration and Naturalization Service that would give specially trained Asylum Officers jurisdiction to interview applicants and render decisions, while preserving for each applicant an opportunity for a new hearing before an independent immigration judge. Our Administration is also studying a further restructuring of the ayslum process to ensure that asylum and refugee cases are considered from a humanitarian perspective.

As General Vessey's visit last summer to Vietnam indicated, we remain committed to obtaining the fullest possible accounting of our men missing in action in Southeast Asia.

D. THE ECONOMIC DIMENSION OF FREEDOM

We remain active in promoting free economic institutions in the developing world. In this connection, the Administration strongly supports the intent of the Caribbean Basin Economic Recovery Expansion Act, which would extend the Caribbean Basin Initiative (CBI) for an additional 12-year period and enhance the program's duty preferences. While not supporting every specific provision in the bill, such as the one concerning sugar, the Administration shares the goal of strengthening the CBI and is proposing modifications and alternatives to reach that goal. In addition, the Senate should give its advice and consent to the ratification of the Bermuda Tax Treaty, and the Congress should enact the complementary tax law changes. These actions would help regularize our economic ties with this strategically important island.

The United States has been in the forefront of Western nations helping Africa to alleviate food shortages due to drought, war, and destructive economic policies as in Ethiopia. For example, in June 1987 I set a common goal for all U.S. economic policies and programs for Sub-Saharan Africa—to end hunger there through economic growth and private sector development, and I am now implementing that decision. At the same time, we have had some success in promoting economic policy reform in Africa, which is now bringing the benefits of investment incentives and free markets to a number of countries that began their independence burdened by stultifying centralized structures. Senegal, Ghana, Cameroon, Botswana, and Malawi are some of the countries adopting market-oriented reforms.

To meet future oil supply disruptions that might develop, it is important that additional oil reserves be placed in the Strategic Petroleum Reserve to meet our 750-million-barrel target. In the section "Strengthening America's Energy Security," which follows, I outline several steps that will strengthen America's overall energy security.

I am proud that our Administration has instituted an effective and prudent system of safeguarding our strategic interests in East-West trade. We cannot let our adversaries acquire through trade vital technology that would strengthen their military capability against us. At the same time we are determined to harmonize trade control practices with friends and allies both to enhance their effectiveness and to avoid undermining the competitive position of U.S. exports.

V. To Promote the General Welfare

As James Madison observed in *The Federalist,* No. 41, the meaning of the "general welfare" is restricted to that public happiness which the government may promote by its clearly enumerated powers. Permitting general and unlimited powers to government, even though these might be used with the best motives, would render the Constitution useless as a safeguard for individual freedom.

This Administration is deeply committed to decreasing the power of the Federal government to its intended scope and to increasing the power of individuals. These policies establish conditions most

conducive to individual initiative and enterprise and, consequently, to the creation of wealth and public well-being. The preservation of freedom, the highest value in our Republic, requires placing the rights of individuals above the power of government. The great challenge of our national government is to be only its carefully enumerated powers in promoting the general welfare by empowering individuals to help themselves.

A. EMPOWERING INDIVIDUALS TO CONTROL THEIR OWN

Resources

If individuals are to possess genuine autonomy then they must be free to control their own resources, to enjoy the fruits of their labor, and to keep what they earn, free from excessive government taxation and spending. To further this ideal, I propose the following six specifics:

1. *Tax Policy.*—Experience has shown that higher taxes ultimately fuel higher spending and do not improve the deficit. During the past 7 years, tax revenues generally have increased, but spending has still increased 27 percent more than tax revenues. This is the true source of the deficit.

Those who favor higher taxes ignore the impact of such taxes on the economy. By reducing and reforming taxes we have seen unprecedented economic growth, high rates of job creation, and increasing productivity for over 60 months. During this period of time, the Administration has lowered income tax rates and removed the automatic tax increases caused by inflation. Future tax policy must preserve these and other gains made on behalf of the American taxpayer. Tax increases should also be opposed on the basis of their burden on economic growth. These include, but are not limited to, returning to higher marginal rates for individuals or corporations; repealing indexing; creating a value-added tax or increasing excise taxes; increasing taxes on capital or energy sources; and levying new taxes on securities transfers or corporate takeovers.

2. *Reduction of Capital Gains Tax Rate.*—The tax reforms accomplished in 1986 did much to remove provisions that inhibit economic prosperity. The most important piece of unfinished business is to reduce the capital gains tax rate to the level that will generate the savings and investment necessary for future economic growth.

Past experience demonstrates that lowering the capital gains tax rate will mean increased realizations of capital gains upon which taxes are paid. When capital gains tax rates increase, investors tend to hold rather than sell their assets. If investors hold their assets until death, they can pass their untaxed gains on to their children, resulting in no income taxes paid on those gains. When the capital gains tax rate was increased in 1969, for example, it led to an immediate reduction in the amount of capital gains realized. By contrast, a reduction in the capital gains tax rate in 1978 and again in 1981 led to significant increases in capital gains realizations.

Reducing the capital gains tax rate to an agreed-upon optimum should be a cornerstone of tax reform for the 1990s. I will consult

with the Congress about achieving this rate reduction as soon as possible.

3. *Raise Revenues with User Fees.*—The burden of reducing the deficit must not be allowed to hamper the productive element of society—the private sector. Raising new revenues must be confined to areas where they will not burden productivity. I believe that user fees for services are a sensible alternative to a policy where revenues are unrelated to expenditures, where some citizens are singled out for gain while others are excluded. Additionally, user fees promote efficiency by encouraging individuals to use the proper level of government services.

4. *Spending Restraint.*—We all recognize that reducing the size of the Federal deficit is a top priority. The 2-year budget agreement that the Congress and I worked out last fall is a first step. But we must go further and reduce the size and the cost of the Federal Government. I will apply the following principles in considering new appropriations and authorization legislation, which I urge the Congress also to follow: eliminate pork-barrel spending that uses national funds to benefit local interests; work toward subsidy-free business and agriculture marketing; avoid creation of new entitlement programs and additional cost-of-living increase provisions; direct public assistance to the needy; and provide for necessary discretion to promote efficient administration of Federal programs. Moreover, the Congress should avoid attaching appendages to spending bills that authorize unnecessary programs and go beyond the enumerated powers of the National Government.

5. *Government Management Improvements—Government of the Future.*—When I became President, one of my earliest priorities was to try to reestablish the proper relationship between the Federal government (which had grown much too large and too powerful) and the State and local governments; and between government and the private sector. In 1981, through our federalism and deregulation initiatives, we placed greater responsibility at the State and local level and in the private sector. We are continuing those efforts.

But as we look forward to the beginning of the 21st century, we need to update our perspective on the proper role of the Federal government and examine what needs to be done to prepare for the changes that will take place. For example, we expect the population to grow to over 268 million people. Changes in technology and communication will link the world's economies, trade, capital flows, and travel as never before. I have asked the Office of Domestic Affairs to work with the President's Council on Management Improvement to conduct an in-depth review and recommend to me by August what further adjustments have to be made in the Federal role to prepare for these anticipated changes. This summer I look forward to receiving their report, "Government of the Future," which will also incorporate plans of my "Reform '88" program.

Meanwhile, those responsibilities that legitimately fall within the enumerated powers of the Executive branch should be managed to deliver quality service to all of our citizens. Our government has a major effect upon the daily lives of all of us through the direct delivery of services, the payment of financial assistance

through various entitlement programs, the collection of taxes and fees, and through regulating commercial enterprises. My 1988 management priorities will be to complete the "Reform '88" management improvement program I started 6 years ago; to overhaul the administrative, financial, and credit systems in our Federal government; to implement productivity and quality plans in each agency; and to direct the Office of Personnel Management to examine the needs of the Federal work force of the future.

My goal, therefore, is to ensure that my Administration leaves a "legacy" of good management of today's problems—with plans in place to handle tomorrow's challenges.

6. *Social Security Reports to Participants.*—Virtually all workers are required to participate in the social security system. But the average worker does not know the level of benefits that would be paid his family should he die, become disabled, or retire. As a result he cannot make plans for any supplemental benefits and insurance he may need.

I am pleased to announce that before the year is over the Social Security Administration will begin providing upon request reports similar to those frequently provided to employees who receive private sector benefits. The social security report will contain a clear and detailed statement that outlines a participant's credited earnings and social security taxes for each year; indicates his current eligibility status; and sets forth an estimate in current dollars of the current and future benefits available to him.

B. FREEING THE INDIVIDUAL FROM GOVERNMENT DEPENDENCY

It is a fact of American life that many Federal programs, while attempting to help the poor, have made them more dependent on the government. Much is within our reach to help dependent citizens lift themselves to self-sufficiency:

1. *Reducing Welfare Dependency Through Opportunity.*—The current welfare system has trapped too many Americans in a dependency on welfare that is hard to break and easy to pass on to succeeding generations. In recent years, a consensus has emerged that it is through work and the acceptance of responsibility that people develop the self-esteem to pull themselves up from dependency.

Last year I launched a major effort to encourage the States, working with established community self-help groups, to undertake a wide range of "workfare" and other responsibility-building reform experiments. Experience has clearly shown that it is in the States that real welfare reform will occur. This was true back in the 1970s in California when we started this movement; it is increasingly the case today. The States' and my objective is to make work and self-sufficiency more attractive than welfare. However, because the current welfare system is so complex and restrictive in its endless rules and restrictions, we need legislation to give the States added flexibility and encouragement to undertake truly innovative and individualized reform experiments.

Last August I endorsed H.R. 3200/S. 1655, legislation that represents a constructive and fiscally responsible approach to reducing welfare dependency. This legislation would help more people become self-sufficient through mandatory participation require-

ments and a flexible work and training program. It would strengthen our ability to require absent parents to support their children. It also contains the broad waiver authority States need to implement their own ideas and make the welfare system more responsive to the needs of each particular State. I call on the Congress to enact this legislation and not use the present consensus on the need to reform our welfare system as an opportunity simply to expand the benefit levels, which would lead to increased dependency.

Even under the limited authority of current law, many States have undertaken or are planning such experiments. To assist them I have established the Interagency Low Income Opportunity Advisory Board to facilitate "one-stop shopping" for the States as they deal with the Federal government and to advise my Cabinet on the impact of the State proposals on the Federal welfare system.

Recently this Board facilitated multi-program waivers of Federal programs to the States of Wisconsin and New Jersey, enabling them to launch broad-based welfare reform initiatives. Wisconsin's program restructures benefits to make participation in work and training programs more attractive than simply collecting welfare. New Jersey's Reaching Economic Achievement ("REACH") program employs widespread mandatory work requirements, together with the services intended to make long-term employment a reality, and promises savings through reduced case loads. We need more such experiments, emphasizing the close tie we know exists between achievement through work and the feelings of self-worth essential to personal economic independence.

2. *Removing Barriers to Home Ownership.*—Historically our freedom has been symbolized by the opportunity for every American family to own and occupy housing. The success of our economic recovery program has caused inflation and mortgage interest rates to decline, making it easier for more Americans to buy homes. To make housing even more affordable, this Administration is working with home builders and local officials to overcome government delays and cost-adding regulations. I am also pleased that the recently passed housing bill granted permanent authority for the FHA mortgage insurance program that increases the availability of credit to American home buyers. The bill also accepts my recommendations for extending the availability of rental housing vouchers to rural as well as urban areas. These vouchers will give meaningful choice to the individuals intended to be beneficiaries of housing programs. Moreover, the bill endorses the concept of tenant ownership of public housing. In order fully to empower occupants of public housing to own their own homes, I will be acting on the recommendations of the President's Commission on Privatization to develop a proposal to sell at a discount existing public housing to the current occupants, thus mirroring the success this approach has enjoyed in Britain.

3. *Strengthening the Family.*—It is one of our country's most basic principles—where there are strong families, the freedom of the individual expands. The strength and stability of the American family provide essential armor for individuals in the fight against poverty. Only a few years ago, the American household of persons

related by blood, marriage, or adoption—the traditional definition of the family—seemed in peril.

I have sought to further policies that recognize the importance of a stable family life. For example, the tax reforms of 1986 contributed to family stability by increasing personal exemptions. Last fall I issued an Executive order on the Family requiring that every department and agency review its proposed activities in light of seven standards designed to promote and not harm the family. The Offices of Management and Budget and Policy Development are charged with the responsibility of reviewing future Executive branch activity to ensure that it meets these standards. In addition, the Congress should require a statement that determines the impact legislation will have on the American family.

In March, I will receive a report from the Office of Policy Development on the impact of existing policies and regulations on the family. At that time I will take administrative action and propose legislation necessary to correct policies that do not conform to the family criteria.

4. *Strengthening Communities Through Enterprise Zones.*—Despite the economic prosperity enjoyed by most of the Nation, some regions remain economically depressed. The key to revitalizing these areas is not new or expanded government programs, but free enterprise. In 1981, I proposed the creation of enterprise zones in which economically depressed areas could receive tax and regulatory relief in order to expand private economic activity and opportunity within the zones and create jobs in the process.

More than half the States have set up their own enterprise zones, even without Federal incentives. These zones have created new jobs and spurred billions of dollars in capital investment. Their success is testimony to the power of this concept and is just a small indication of how much could be accomplished if Federal incentives were added to those of States and localities. Adding Federal incentives would make existing zones far more economically attractive and successful and would also encourage more State and local zones. Accordingly, I am renewing my call to the Congress to take up effective Federal enterprise zone legislation that will complement the State programs.

5. *Independence Through Excellence in Education.*—Individuals well instructed in basic skills, important knowledge, sound values, and independent reasoning are better equipped to participate in America's continued freedom and prosperity. In 1981, however, our educational system was suffering from a 20-year decline in academic achievement. Yet spending per pupil had nearly doubled since 1970, and Federal spending for education had increased over 3,000 percent since 1960. It has now risen to more than $20 billion. But while funding is very important, money without genuine commitment does not lead to educational excellence.

In 1983, the National Commission on Excellence in Education launched a national renaissance in education by identifying problem areas and suggesting solutions for State and local programs. In its ground-breaking report, *A Nation At Risk*, the Commission recommended that the States and localities return to the basics in curriculum and strengthen high school graduation requirements. Additionally, my Administration urged the States and localities to

consider merit pay and competency testing to improve the abilities of educators. As a result of the Commission's and our efforts, some school systems began to turn away from a smorgasbord curriculum and toward a more structured, traditional program designed to educate good citizens and to enable all students to participate in the opportunities our society offers in abundance. But despite this progress, we still have a long way to go. For example, only 5 percent of American 17-year-olds have advanced reading skills; an average high school student takes only 1.4 years of history. In April the Department of Education will complete its review of progress made since the issuance of *A Nation at Risk.*

Last month the Secretary of Education unveiled a model curriculum in a report entitled *James Madison High School.* This report outlined a year-by-year slate of courses in English, social studies, math, science, foreign language, fine arts, physical education, and health, and proposed that they be made graduation requirements for all students. Four years of English would include American, British, and world literature. Three years of social studies would include western civilization, American history, and Principles of American Democracy, with a hefty dose of geography throughout. This is the kind of curriculum that will help America's young people meet the challenges of the next century. Although a public high school curriculum must be set at the State or local level, I hope school officials will examine the model curriculum proposed in *James Madison High School.*

In addition to "back to basics" reforms, American education would benefit from greater parental involvement. In July 1987, as part of my Economic Bill of Rights, I stated that we must recognize the right of parents to have their children educated, publicly or privately, without unreasonable regulation or interference from State or Federal governments. To that end, I am establishing a working group in the Domestic Policy Council that will examine the parental role in education and make recommendations for strengthening parents' rights.

Improving choice in education continues to be an important goal of this Administration. Study after study has found that when parents have a say and are involved in their children's education, the children do better in school. For example, the Congress should authorize a program of giving parents a choice of schools when providing Federal funds to benefit students.

I will continue to encourage efforts to advance parental choice through expansion of the magnet schools program, as well as in the compensatory education programs financed through Chapter 1 of the Education Consolidation and Improvement Act. Compensatory education programs provide additional services to children most in need of extra help in mastering basic skills. Enhancing parental choice is particularly critical in the education of disadvantaged children, who are the focus of the Chapter 1 program.

But I do not intend to stop there. Polls show that millions of Americans would like, but do not have, the ability of choosing the education program and institution that is best for their children. A voucher system at the State level would empower parents. I will ask the Department of Education to develop model voucher legisla-

tion and make it available to the 50 States, so that they can implement programs that promote choice in education.

A college education is part of training for tomorrow's challenges. However, since 1980 the cost of a college education has risen more than twice as fast as the Consumer Price Index, and many Americans are wondering whether their children will ever be able to go to college. Colleges set tuition, not the Federal government. It is my hope that our Nation's universities will act to reduce the cost of higher education without sacrificing quality in core fields. To help college students from families of limited means, I propose an increase in the maximum Pell Grant to $2300.

I will also ask the Congress to approve creation of College Savings Bonds. These bonds will offer an incentive for lower- and middle-income families to save now for the future education of their children. Interest on bonds used for this purpose will be free from taxation.

While we do our part to help finance college education, students must do their part and act responsibly. Most do; many do not. The taxpayers will spend over $1.6 billion this year to pay off student defaults. To ensure that tomorrow's students do not lose out because Federal guarantees are abused, the Department of Education will propose a rule holding schools and colleges accountable for excessive rates of default on Guaranteed Student Loans. Schools in which there is a disproportionately high number of student defaults will face the loss of eligibility for student aid.

Other policies addressing this problem include: providing better information to students on their duties when they borrow and when their debts are due; use of the IRS to take money owed out of tax refunds; use of collection agencies and litigation to go after the worst offenders; and increasing the incentives for lenders and guarantee agencies to do a better job of collecting loans.

6. *Protecting the Health of Citizens.*—Government promotion of public health has enabled many individuals to participate fully in society. The Federal government now has the opportunity to assist elderly persons who fall victim to catastrophic illnesses and to lead the fight against diseases such as AIDS.

I am asking the Congress to enact my proposal for Federal coverage of catastrophic health care costs incurred by Medicare beneficiaries. This legislation, which I negotiated with the Senate, would provide affordable catastrophic coverage.

Additionally, the Office of Personnel Management has a new proposal before the Congress to help Federal workers deal with long-term health care needs—both nursing home and home health care. This proposal will serve as an example for *privately funded* long-term health care. No new government funds will be needed to provide this additional insurance. It will be made available through the already-existing life insurance program for Federal employees, with a small additional premium from employees enrolled in the program.

We must continue to take preventive measures against AIDS while at the same time treating AIDS victims with compassion and care. Although increased Federal funding is not the only solution, I am proposing $1.5 billion in fiscal 1989 for research, treatment, testing, counseling, and education, up ten-fold since 1985. Adminis-

tration scientists were centrally involved in the discovery of the Human Immuno-deficiency Virus (HIV), developing the HIV blood antibody test and the anti-AIDS drug AZT. And testing has been initiated in human volunteers for two experimental AIDS vaccines.

However, the primary responsibility for avoiding AIDS lies with the individual. As the Surgeon General, the Secretary of Health and Human Services, and the Secretary of Education have been reminding us all, the best way to prevent AIDS is to abstain from sex until marriage and then to maintain a faithful relationship, as well as to avoid illicit drugs altogether. If the American people follow this wise and timeless counsel, if our schools and families and media communicate it effectively, the spread of AIDS can be greatly diminished.

For our young people, education is crucial for AIDS prevention, and parents have the primary responsibility for this. The Department of Education released *AIDS and the Education of Our Children* last October to assist parents and educators in this effort. This publication reflects my conviction that educational efforts in the schools should be determined locally and with deference to parental values.

In 1987 I announced a policy of expanded routine testing, which is essential for early diagnosis and treatment of infected individuals, for protection of the public, and for assisting Federal, State, and local policymakers in dealing with this epidemic. I also established the Presidential Commission on the HIV Epidemic and will receive their final recommendations this summer.

I have directed the Public Health Service to undertake a comprehensive program to determine the extent of HIV infection and full-blown AIDS. We need to know more about the dynamics of this disease, its prevalence, and its rate of spread. Beginning in March 1988, the Centers for Disease Control will produce quarterly reports on the progress in implementing this program.

I am directing the Food and Drug Administration to accelerate its review of new therapeutics, vaccines, blood-screening tests, and other products to fight this disease.

C. FREEING INDIVIDUALS TO PURSUE PRODUCTIVE ENDEAVORS

I believe all individuals should have the right to pursue their livelihood in their own way, free from excessive government regulation and government-subsidized competition. Greater personal autonomy, not a paternalistic "industrial policy," is the path to greater American competitiveness. As the 1987 Nobel Laureate in Economics, James Buchanan, recently pointed out:

> We now have in place the scientific and technical tools that enable us to make meaningful comparisons between the workings of an industry in an unregulated, privatized setting and the workings of the same industry in a regulated or controlled setting.

Our experience with deregulation over the past 7 years has demonstrated the superiority of industry inspired by private initiative rather than controlled by Federal regulations. Accordingly, I am instructing my Administration to take all possible measures to provide individual Americans with the greatest possible range of eco-

nomic opportunities, and I invite the Congress to join me in further deregulating our economy and in promoting free trade among free nations. Here are nine areas on which the Administration will focus:

1. *Deregulation of Key Industries.*—Back in 1980, I promised to get the government off the backs of all individual Americans—working men and women, consumers, and businessmen and women. More than 7000 new regulations were issued in my predecessor's last year in office. This had to stop. At my direction, various departments have acted to reduce the scope and cost of Federal regulation. We have accomplished a great deal. For example, we have expedited Federal approval of experimental drugs, making them available to treat serious or life-threatening diseases when other treatments do not work.

Individual Americans have access to more goods and are able to travel more easily and at less cost because of deregulation. Today, for the first time in 30 years, the railroad industry is financially stable because of economic deregulation. Shippers and consumers across the Nation benefit from real cost reductions brought on by more competition. And, despite some problems inevitable in a large, dynamic industry, airline consumers now enjoy about $11 billion per year in lower fares, a great number of flight options, and a safe, efficient air transportation system unequaled by any nation. Our free market policies have worked. Although we must continue our vigilance to assure safety, we must not, in any form, re-regulate these industries.

The current relaxation of Federal regulation of the trucking industry has demonstrated the tremendous potential of individual Americans. Now is the time to complete the deregulation process. I ask that the Congress pass the Administration's Trucking Productivity Improvement Act of 1987 to remove the last vestige of Federal regulation of the interstate trucking industry and ensure that the States do not re-regulate the interstate and intrastate operations of interstate trucking firms. Already the progress of rail and trucking deregulation has made the Interstate Commerce Commission an anachronism. It should be abolished as proposed in legislation sent to the Congress last year.

This Administration has sought to promote the free flow of information among individuals by freeing the telecommunications industry from intrusive government control. In this "Age of Information" America risks losing its position as the world's leader in information and telecommunications technology—not because we lack the talent, the resources, or the will, but because we have needlessly regulated our telecommunications industry.

Another area in which deregulation has promoted individual freedom is the broadcasting and cable industries. I have strongly supported the elimination of the so-called "Fairness Doctrine" as an unconstitutional infringement upon the freedom of the press, and I will continue to resist any legislation that attempts to reverse this Federal Communications Commission (FCC) action. This Administration has also insisted in the courts that the cable industry receive the same First Amendment protection as the print media. This is particularly imperative in light of recent technological changes in the industry. One area where First Amendment

rights have been dealt a severe blow is the recent codification of the "cross-ownership" rule. This last minute appendage to the Continuing Resolution prevents owners of newspapers and broadcast stations from even seeking a waiver of the rule and thus violates their First Amendment rights. This change could force the closing of newspapers. I strongly support measures to repeal legislative cross-ownership restrictions that inhibit rather than enhance the free market of ideas.

Where the government does regulate economic activity, this Administration has sought to use market-oriented approaches. For example, in the case of airline landing rights, it is important that individuals be able to freely transfer rights to operate within the regulatory regime. Despite the progress we have made on deregulation, more needs to be done. The Office of Management and Budget therefore will continue to assure that agencies, as they develop proposed regulations, evaluate and make public their findings concerning the effect of proposed Federal regulations on private sector employment and commerce.

2. *Reducing Government Reporting Burdens.*—Since 1982, my Executive Office has actively sought to reduce the burden of Federal reporting requirements on every individual and business. Each year we have made sizable reductions in paperwork burdens, totalling 560 million man-hours from Fiscal Year 1981 through Fiscal Year 1986. To improve our efforts, the Office of Management and Budget will issue regulations that will provide a more timely and complete description of proposed reporting burdens. Citizens will be encouraged to report back to OMB when, in their experience, the reporting requirement is unduly onerous. The Office of Management and Budget is systematically simplifying Federal procurement regulations and reducing the paperwork burden imposed upon those who want to compete for contracts with the Federal government.

Similarly, the Census Bureau has substantially improved the questionnaires to be used in the 1990 decennial census. These improvements will reduce the paperwork burden on all American households by using a significantly abbreviated "short" form and by making sure that no more households than absolutely necessary are asked to complete the "long" form. These changes will also improve the quality of the information collected.

3. *Strengthening America's Energy Security.*—The economic well-being and future security of this Nation depend upon maintaining and building long-term energy security and strengthening the domestic energy industry. We have made considerable progress. While our economy has greatly expanded, we are using no more energy and less oil than we did 10 years ago, and our strategic oil stocks are five times higher. But more needs to be done.

In May 1987, I offered several proposals to enhance our Nation's energy security. The windfall profit tax has raised little or no revenue since the collapse of oil prices in 1985, yet it discourages long-term investment in new domestic oil production. Moreover, it causes oil producers to engage in purposeless record-keeping. It should be repealed.

Last May I signed legislation eliminating restrictions on natural gas use. The Congress should now act to decontrol the wellhead

price of natural gas and provide for open access pipeline transportation. Both measures would lead to less demand for imported oil. I also urge action on the Administration's proposal to deregulate many oil pipelines.

This year the Congress will consider our recommendation concerning oil and gas activities on the coastal plain of the Arctic National Wildlife Refuge—the most outstanding onshore oil and gas frontier in this Nation. The Department of the Interior would manage exploration, development, and production of these potentially vast resources while assuring that environmental safeguards are carefully maintained. The Congress should move expeditiously to enact legislation implementing our recommendation.

Development of our offshore energy resources continues to be vital to our economic and energy security. Last year we developed and implemented a 5-year Outer Continental Shelf (OCS) leasing program. Unparelleled in its responsiveness to State and local concerns, this program meets America's need for domestic energy supplies while it continues to provide protection for our important coastal resources.

Lastly, to ensure the future viability of nuclear power in the United States, the nuclear licensing process should be reformed and the Price-Anderson Act should be reauthorized. I urge responsible congressional action in these areas.

4. *Protecting the Environment Without Unnecessary Government Intrusion.*—I have always believed that this Nation does not have to choose between a clean, safe envioronment and a productive economy. Of course, sometimes trade-offs exist and choices have to be made.

America's program for environmetal protection is the most comprehensive in the world. And our environmental accomplishments are impressive. We have dramatically reduced air pollution in our cities and restored thousands of miles of waterways without hampering economic growth. We have cut levels of lead in urban air by nearly 90 percent and cleaned up more than 1000 hazardous dumps and spill sites. And we have made impressive strides in the Superfund hazardous waste cleanup program. Work has been completed at almost 200 sites this year, including many that posed immediate threats to human health and the environment. This brings the total since this program began to over 1000. In addition, work is underway at more than 700 National Priority List sites.

We have recognized the global nature of some environmental challenges and played a leadership role in the world community to meet them. In December, I submitted to the Senate for advice and consent to ratification an international protocol to reduce chemical emissions that may be depleting the stratospheric ozone layer, and I urge early congressional action on this initiative. This protocol is the first time nations of the world have agreed to specific action in order to address a global environmental problem.

Consistent with the report of the National Acid Precipitation Assessment Program, I will again request congressional approval of a 5-year, $2.5 billion program for development of innovative clean coal technologies to reduce further acidic deposition (acid rain) emissions. The Secretary of Energy has begun implementation of the first 2 years' funding provided in the continuing resolution and,

at my direction, has formed a panel to advise on innovative technology projects for funding. Additionally, I have reviewed and accepted significant new recommendations from my Task Force on Regulatory Relief that will introduce such new technologies into the marketplace more quickly and efficiently:

—The Department of Energy will permit preferential treatment for innovative clean coal technology projects, recognizing the risk inherent in such demonstrations.

—The Federal Energy Regulatory Commission will support a 5-year demonstration program on rate incentives for innovative technologies.

—The Environmental Protection Agency will support and encourage a variety of means to include "bubbles" and interpollutant trading, to achieve emissions reductions.

5. *Strengthening Financial Markets.*—With a view to empowering people to engage in productive activity for mutual gain, I am taking steps to reduce arbitrary second-guessing of markets by government regulators who can scarcely hope to administer financial services more efficiently or fairly.

I reassert my support for the pro-competitive Financial Modernization Act of 1987, which would repeal Sections 20 and 32 of the Glass-Steagall Act prohibiting affiliations between commercial banks and securities firms. It would permit bank holding companies, with Federal Reserve Board approval, to own affiliates that underwrite or deal in securities. I welcome the bipartisan initiatives of the Senate and House Banking Committees in this area, and I encourage the Congress to consider additional reforms that keep financial services open and competitive and allow the development of innovative services to benefit individuals, businesses, and government. In today's global economy, America's financial institutions must be released from this outdated legal framework so that they will be able to remain on the leading edge in the world marketplace.

The market for corporate control is a vital component of our free enterprise economy. This Administration opposes legislation that would have the effect of making takeover activity more costly and difficult. Such efforts prevent the free flow of capital and make American firms less responsive to competitive forces, often at the expense of shareholders.

6. *Protecting Individual's Property Rights.*—It was an axiom of our Founding Fathers and free Englishmen before them that the right to own and control property was the foundation of all other individual liberties. To protect these rights, the Administration has urged the courts to restore the constitutional right of a citizen to receive just compensation when government at any level takes private property through regulation or other means. Last spring, the Supreme Court adopted this view in *Nollan* v. *California Coastal Commission.* In a second case, the Court held that the Fifth Amendment requires government to compensate citizens for temporary lossses that occur while they are challenging such a government regulatory "taking" in court.

In the wake of these decisions, this Administration is now implementing new procedures to ensure that Federal regulations do not violate the Fifth Amendment prohibition on taking private proper-

ty; or if they do take a citizen's property for public use, to ensure that he receives constitutionally required just compensation.

7. *Trade and Competitiveness.*—To enable individuals to enjoy the benefits of trade with other countries and to engage in productive activity without the burdens of retaliatory trade barriers, I will continue to encourage a free and fair trade policy. U.S. trade policy must reflect the fact that we live and work in a global economy and that our future prosperity lies in establishing stable, open relationships with our trading partners abroad and competitive, unrestrained markets at home. An effective trade policy, therefore, must pursue two interrrelated goals: to extend, by example and by negotiation, the benefits of free trade to the world economy and to enhance, through deregulation and privatization, the free operation of the domestic economy. Only in such a competitive environment will American business reach its productive potential and American workers enjoy the just rewards for their labors.

Last February, I submitted to the Congress a program for making the United States more competitive, much of which was contained in the Trade, Employment, and Productivity Act of 1987. There were six elements to that program, each critical to ensuring America's future economic preeminence: increasing investment in human capital; promoting the development of science and technology; better protecting intellectual property rights, enacting essential legal and regulatory reforms; shaping the international economic environment; and continuing to eliminate the Federal budget deficit by reducing domestic spending. Taken as a whole, this program recognized that government must not interfere with the marketplace but should ensure that the underpinnings of American economic success, such as a well-educated work force and a technological edge, remain strong.

Unfortunately, the Congress has failed to recognize the broad nature of the competitiveness problem and instead has placed too much emphasis on protectionist measures that may defer short-lived adjustment pains but harm the future health of the economy. Protectionism serves as a hidden tax on the American economy, crippling once prosperous industries, throwing Americans out of work, and raising costs for consumers. American business comes to rely more heavily on government and less on the marketplace, while Americans watch their standard of living slip away. Despite the soothing words of its advocates, protectionism represents the triumph of special interest over the general interest. This Administration remains committed to working with the Congress to draft responsible trade legislation, but if that legislation is not free of harmful protectionist measures, I will veto it.

The Department of Commerce is taking two important steps to boost U.S. exports. First, it will launch Export Now, an intensive new effort, supported by the private sector, to inform small, medium, and large businesses of the current opportunities to expand exports. This effort will encourage American business to take advantage of favorable exchange rates, of the market-opeining actions of this Administration, and of the support our government agencies can give them in entering new overseas markets. Second, the Department will begin the Malcolm Baldrige Quality Awards

program to help restore "Made in the U.S.A." as the symbol of the very best products throughout the world.

No sector of our economy would benefit more from international trade reforms than agriculture. One of my proposals to the General Agreement on Tariffs and Trade (GATT) for negotiations under the Uruguay Round is to eliminate worldwide all subsidies that distort agricultural trade and all agricultural import barriers. I propose that these subsidies and restrictions be phased out over 10 years. We are striving for an agreement on agriculture by the end of this year, in order to hasten access of U.S. farmers to export markets now closed to them. I also propose an international harmonization of health and sanitary measures affecting agricultural trade with the aim of eliminating foreign countries' use of them as disguised trade barriers.

The Nation benefits from the excellence of our scientists, engineers, and researchers. Because it is important that business have adequate incentives to fund research here in the United States, we are seeking enactment of a permanent tax credit for firms engaging in research and experimentation to replace the tax credit that expires at the end of this year. In addition, we are seeking legislation that would permit the allocation of at least 67 percent of a U.S. company's research expenses to its domestic income for purposes of the foreign tax credit.

During this Administration, we have also shifted the focus of Federal investment in R&D to basic research, allowing the private sector to transform this fundamental knowledge into technologies and processes necessary to develop products and services that meet the demands of the marketplace. Federal investment in basic research has grown in real terms by 40 percent since 1981. Last year, I issued an Executive order to facilitate citizens' access to such federally funded basic research. In addition, I am asking the Congress to fund incentives to spur American innovation. I am requesting that we now provide monetary awards to accompany our National Medals of Science and Technology. In addition, I am proposing a new Thomas A. Edison Prize that will challenge Americans from all walks of life to use technology to improve the quality of life in the United States and the world.

This Administration has also proposed construction of a Superconducting Super Collider, which is essential to continued U.S. leadership in high-energy physics and America's scientific and technological competitiveness. Presently, the Department of Energy is studying locations in seven States, and late this summer the Secretary of Energy will select the preferred site for the project. We hope that our allies will share the cost of construction and operation of this facility, as well as benefits it will afford for new discoveries in basis physics.

The freedom to compete in the marketplace is essential to our concept of liberty. Our antitrust statutes were intended to protect this freedom. Sadly they have been transformed into weapons that competitors use against each other and tools for inappropriate government interference in the marketplace. Additionally, American firms find themselves at a competitive disadvantage with foreign competitors because of the burden and uncertainty fostered by some outdated aspects of our Nation's antitrust statutes. Therefore,

I again urge the Congress to adopt my proposed antitrust reforms, particularly those that remove disincentives to pro-competitive mergers. In addition, I am asking the Congress to amend the National Cooperative Research Act to permit some types of joint production ventures. While retaining the protection of the antitrust statutes, this change will help U.S. manufacturing firms develop innovative ways to produce goods and services at competitive prices both here and overseas.

For example, the domestic automobile manufacturing industry has made major strides in improving its competitive position, producing higher quality and more fuel-efficient vehicles. Despite these gains in fuel efficiency, the industry remains restricted by current law, which requires automobile manufacturers to "balance" their line of automobiles to include cars and light trucks that meet corporate average miles-per-gallon fuel economy (CAFE) standards. These standards make it more difficult for U.S. firms to produce automobiles that consumers want to buy. This Administration has proposed the Motor Vehicle Information and Cost Savings Act of 1987 to eliminate this requirement for future model years. This legislation would remove a competitive disadvantage for American firms at a time when the purpose of the CAFE standard has been largely realized and would remove the incentive for domestic auto manufacturers to export U.S. jobs.

Another factor affecting U.S. competitiveness is our civil justice system. During the past 2 years, 47 of the 50 States have enacted tort reform legislation. We strongly supported many of these State initiatives, and we will work closely with the States to achieve further reforms wherever possible. In addition, the Administration is encouraged by the progress of the legislation to reduce the costly product liability insurance spiral and will work with the Congress towards the enactment of effective and meaningful reform of product liability law.

Key to promoting investment in ideas, innovation, and research is ensuring that those investments will be protected. Accordingly, I have proposed as part of my superconductivity legislation to raise legal protection for products resulting from patented processes and to prohibit foreign nations from using the Freedom of Information Act to acquire intellectual property developed by the U.S. Government. Additional measures planned include joining the Berne Convention, which provides international protection for intellectual property, demanding adequate protection of intellectual property rights when negotiating treaties, and pushing hard in the GATT Round for high standards for intellectual property protection worldwide.

8. *Free Trade with Canada.*—On January 2 Prime Minister Mulroney and I signed a Free Trade Agreement that, when enacted, will mark the beginning of a remarkable new era. It eliminates all tariffs between the United States and Canada over the next 10 years, promotes free trade in energy, and greatly reduces restrictions on investments. The agreement goes beyond most trade agreements and covers services and investment. It is a "win-win" agreement for both the United States and Canada. Moreover, it sends a signal to the rest of the world: protectionism is not inevitable. Rather, with the political will and commitment, all nations can

promote freer trade to the benefit of each and every citizen. I will soon transmit a bill to implement this agreement and I urge prompt enactment to ensure that the agreement takes effect on January 1, 1989.

In November, the United States Trade Representative, on my behalf, signed a framework agreement with Mexico for discussions on trade and investment. This framework agreement is an important step forward in our bilateral trade relationship that will enable us to work together to address problems, reduce barriers and, thus, increase trade and investment between our two countries.

9. *Freeing the Individual to Work.*—Few laws that a government may impose are more injurious to liberty than restrictions on the right to work, as outlined in my Economic Bill of Rights. Today, we are in the 6th year of an economic recovery that has created 14.5 million jobs. In order to continue and to build on that record of growth, we need policies that recognize the changing nature and changing needs of the work force.

These policies include enhanced training for dislocated workers, so that they are able to adjust to a world requiring new and different skills. Our proposed Worker Adjustment Program will address this need in a comprehensive way while increasing the role of States and localities in determining how these funds are best spent. In addition, we are preparing to give States and localities the flexibility to provide remedial training to disadvantaged youth. For thousands of low-skilled young people, this initiative holds the potential to provide a way out of poverty and into a job.

Indeed, the changes in our work force present other challenges as well. More people are working than ever before in our history. There is fuller work force participation across all sectors, and more women are working than ever before. While this has helped power our tremendous growth, it has also created tension between demands of work and demands of child-rearing. We need to work with State and local governments and the private sector to identify and develop effective solutions, consistent with our efforts to strengthen the family, to foster practical, voluntary ways to ease this tension.

Several threats to our continued job growth can be found in a range of initiatives pending in the Congress, such as employer-provided health care and health insurance; parental leave; advance notification of plant closings; risk notification; an increase in the minimum wage; labor protective provisions; and a ban on employers using polygraphs to prevent theft. Many of these initiatives have been called "mandated benefits," but a more accurate description would be "mandated costs" or "mandated unemployment." Such mandated costs are particularly harmful to our Nation's small businesses, which are leading the way in job creation in our economic recovery. While many of the objectives sought by such legislation are laudable, they are not the proper subject for Federal mandates.

While well intentioned, the added employment costs would reduce job opportunities, lower wages generally, weaken economic growth, and hinder our competitiveness in world markets. In short, they are efforts to make individuals and companies pay for new

government programs, mandated by the government but implemented by the private sector. Rather than forcing employers to provide such coverage, with possible serious adverse side effects for some workers, these decisions should be left to voluntary negotiation between employers and employees.

The adoption of "comparable worth" pay standards, another intrusive form of government intervention into the labor market, has also been proposed. The objective is not to provide equal pay for equal work, a concept I fully support and which I enforce as the law of the land. Rather, "comparable worth" proposals seek to determine the worth of completely different jobs and then empower government panels to assign "fair" and "comparable" wages. Proposals that would establish panels of "experts" to determine how much workers can earn would create the kind of planned economy that has stifled economic growth in other parts of the world. Such wage fixing completely ignores the fact that in a free enterprise economy market forces should determine wages.

We should seek to eliminate existing barriers to employment. For example, when I took office I inherited a rule that, for over 40 years, prohibited individuals from working in their homes to produce knitted garments such as sweaters, caps, and scarves. In 1984, we dropped that rule and permitted employers to hire home workers after obtaining a certificate from the Department of Labor authorizing such employment, thus ensuring that the home workers receive the protection of the Fair Labor Standards Act. The restrictions still apply to six other categories of products, and the Department of Labor will be working to extend the certification procedures for five of the six remaining home work industries.

Another proposal in the Congress would raise the minimum wage, thereby creating additional barriers to employment. Today most people who work at the minimum wage are teenagers and others with limited experience who need these jobs to begin their climb up the economic ladder. Few are heads of households. Higher minimum wages will surely force young and inexperienced workers into unemployment. We should permit a special minimum wage differential for teenagers that would increase employment, on-the-job-training, and future wage growth for the least-skilled workers. Reform of other Federal wage statutes, such as Davis-Bacon, is also needed.

We should avoid so-called anti-"double breasting" laws that would bar firms with union labor from having independent affiliates without union contracts. Anti-double breasting laws reduce job opportunities by raising labor costs and should be left to negotiation between employer and employee.

D. EMPOWERING INDIVIDUALS BY OPENING UP NEW AREAS FOR HUMAN ENDEAVOR

One enduring legacy of American frontier society has been a love of bold challenges and wide open vistas. Some 30 years ago we crossed a "new frontier" with a shot into space. Today we continue to face new opportunities and new challenges in opening a limitless universe beyond our tiny globe to exploration and commercial enterprise. But here on Earth as well, whole new sectors of discovery

and productivity lie waiting for development through individual creativity and initiative.

1. *Privatization of Government Activities.*—Over time, government has accumulated numerous commercial operations, many of which could be performed more efficiently by the private sector. Where such opportunities exist to provide better services at lower cost, we will seek to transfer such services and operations to the most efficient enterprises. This does not imply the abrogation of government responsibility for these services. Rather, it merely recognizes that what matters the most is the cost and quality of the service provided, not who provides it. In addition, there is an important moral consideration—individual liberty would be enhanced and the debilitating effect of public sector growth on human freedom would be reduced.

Even now, government relies extensively on the private sector to provide basic government services in many key programs: the G.I. Bill, Medicare, Medicaid, student loans, food stamps, and many other programs. Further, the government benefits from private sector assistance in disbursing funds electronically, assessing credit worthiness of loan applicants, servicing and collecting payments due the government, and relying on finance accounting systems from the private sector to bring about an extensive upgrading of Executive branch financial management throughout the government. Thus privatization can make government operations more efficient and at the same time provide more convenient service to our citizens.

The Administration sold over $5 billion in government loans to private investors last year, with plans to sell an additional $4 billion in government loans this year. Additionally, we sold the government-owned freight railroad, CONRAIL, to private investors at a price tag of almost $2 billion.

As part of my Economic Bill of Rights, I established the President's Commission on Privatization to accelerate our program of placing greater reliance on the Private sector. In its interim report covering government housing programs the Commission recommended expanded use of housing vouchers, tenant management of public housing projects, and sales of public housing units to tenants. The Congress has already enacted a major housing bill that endorses housing vouchers and facilitates the Administration's efforts to encourage tenant management and public housing ownership. Similarly, the Commission has endorsed the sale of government loan assets. The Commission's final report is expected in March and will cover many more opportunities, including prison construction, military commissaries, AMTRAK, Naval Petroleum Reserves, and urban mass transportation. After a careful review of these proposals, legislation will be developed to implement the most promising proposals.

To pursue administrative measures within the Executive branch and implement the findings of the Commission on Privatization, I have created an Office of Privatization within the Executive Office of the President. I have given it the responsibility to investigate and propose privatization opportunities that can be included in my recommendations for the Fiscal Year 1989 Budget.

I will recommend that a comprehensive study be conducted to measure the likely benefits that would occur if we permit the private sector to perform some functions now performed by the Untied States Postal Service and other government entities.

I will also recommend a series of pilot projects to determine if privatization is the best way to go in other government programs, including operation of minimum security Federal prisons, Federal prison industries, regulatory audits by the U.S. Customs Service, management of Federal multiple-use lands by public and private groups, and waste water treatment facilities funded by Federal grants.

I am further recommending the direct privatization of all or some of several existing government programs where the benefits of privatization are believed to be significant or where studies have already been completed. Included in this category are the Naval Petroleum Reserves, AMTRAK, Federal Crop Insurance, arbitration of tax disputes, government employee housing, the Railroad Retirement Board, the National Finance Center, the National Technical Information Service, the Alaska Power Administration, and the collection of overdue loans to the Federal government. I will also ask for substantially expanded authority to allow individuals to use their private sector credit cards to pay money owed to the government.

In addition, I have recently promulgated an Executive order to foster greater contracting out of services currently provided by the government to private providers, many in America's vital small business community. Study after study, many conducted by the General Accounting Office, demonstrate that savings of between 30 to 40 percent can be achieved by contracting out government work to private business. If all agencies took advantage of contracting-out opportunities, the total savings would amount to $7 billion per year.

2. *New Opportunities in Space.*—Nearly 2 decades ago, with courage and bold technological innovation, America pushed back the frontier of space by landing a man on the Moon and safely bringing him back. This breakthrough created untold opportunities for scientific discovery and commerce and advanced mankind's age-old dream of exploring space beyond its planetary home.

If America is to continue its leadership in space, we must now forge ahead, exploring space's vast frontier and expanding our free enterprise system to Earth's orbits and beyond. And we must build our long-term space future on a sound foundation that will ensure reliable and economical access to and use of outer space.

I recently adopted an enhanced comprehensive national space policy. This policy reaffirms America's commitment to space leadership as a fundamental national objective and recognizes the importance of both private sector and governmental space activities in achieving critical national goals. And while acknowledging the importance of returning the Space Shuttle to safe, reliable operations, it also stresses that access to space, so vital to America's security and prosperity, must never be limited to any single system.

As a matter of special note, my policy also specifically recognizes the importance of extending the reach of American private commerce to space and establishes goals to guide both civil and nation-

al security space efforts in achieving cost-effective, resilient, and reliable means of access to space.

And I am no less deeply committed to the long-range goal of expanding human presence and activity beyond Earth orbit and into the solar system, and I invite the Congress to join with me in endorsing and supporting this new long-term goal.

As the first step, I have directed the National Aeronautics and Space Administration to begin a systematic development of space technologies called Project Pathfinder, which will aid us in deciding where this new adventure should take us, and when. The funding proposed for Fiscal Year 1989 is $100 million.

Second, I am asking the Congress to maintain our strong national commitment to a permanently manned space station. The Fiscal Year 1989 Budget request includes $1.0 billion to achieve this goal, along with a request for a 3-year appropriations commitment from the Congress totalling $6.1 billion.

Third, I will soon announce a major Commercial Space Initiative that includes administrative and legislative action to nurture entrepreneurship in space. By taking advantage of the private sector's innovative excellence, we can maintain and extend America's leadership in space.

My initiative will have three goals: (1) promoting a strong commercial presence in space—we need the private sector to begin to lay the infrastructure necessary for research and manufacturing in space; (2) assuring a highway to space by building on my previous efforts to promote a strong private expendable launch vehicle industry; and (3) building a solid technology and talent base. The engineers and scientists who will be working in space are in school now. We must give them the tools and the enthusiasm to do the job well.

E. EMPOWERING THE PEOPLE TO PARTICIPATE IN THE POLITICAL PROCESS

Political enfranchisement in America has evolved in the direction of a more participatory republic. Today any legislation in this area should open up more participation in the political process.

1. *Removing Government Interference with the Political Process.*—The right to free speech and the right to participate in the democratic process are two of our most fundamental freedoms. In *Buckley* v. *Valeo,* the Supreme Court held that limits on how individuals spend their own resources in the political process can violate the First Amendment. This is a sound principle. We should make sure "campaign reform" will not have the effect of reducing popular participation in the political process or impairing constitutional rights. Today, there are proposals to restrict certain parts of our electoral process. A more beneficial reform would be the requirement of full disclosure of all campaign contributions, including in-kind contributions, and expenditures on behalf of any electoral activities, including those in the context of membership communication.

2. *Protecting Civil Servants from Political Pressure.*—The Hatch Act was passed in 1939 in response to scandals involving the administration of funds in New Deal programs. It prohibits Federal civil servants from taking part in certain partisan political activi-

ties, such as campaigning for public office, participating in party management, or raising political funds. The Clay Amendments in the Congress would severely erode these prohibitions. Although advanced in lofty terms—"the right of government workers to participate more fully in the political process"—their effect would be to politicize the civil service and reduce public faith in government. Federal workers already enjoy their democratic right to vote and to express their political views in a wide variety of other ways.

We do not want to risk a situation in which Federal employees come to believe that their advancement depends on espousing particular views, perhaps the political views of their superiors. Neither should electoral campaigning be allowed to mar cooperation between the political appointees of the President and the civil service establishment, a cooperation crucial to good government. As I have said in the past, the Hatch Act should not be changed or repealed.

3. *Improving the Civil Service.*—The past 7 years have witnessed an increasing commitment by the Nation's Federal civil service to quality in their work and pride in their performance. The abilities of this work force, from the most recently hired clerical worker to the most senior member of the managerial corps, are ready not only to continue the effort to serve the American people, but to take that service to new levels of excellence.

At present, however, the Federal civil service is over-regulated by a system that discourages employee initiative and hamstrings government managers with thousands of pages of restrictive rules and regulations. With the major reforms encompassed in my proposed Civil Service Simplification Act, we can provide substantial incentives for top performance, introducing into our Federal government the classic productive values of the American workplace: entrepreneurial freedom and reward for hard work.

VI. To Secure the Blessings of Liberty

It was the need to secure inalienable, God-given rights from oppression that moved our forefathers to institute a new government in America. Among these individual rights, Jefferson wrote, were "Life, Liberty and the pursuit of Happiness." But, as the Founders of our Republic made clear in drafting a new Constitution 11 years later, their intention was not only to secure liberty but the blessings of liberty as well. To attain these blessings would mean cultivating the values that sustain a free people. George Washington advised our Nation in his Farewell Address,

> Of all the dispositions and habits which lead to political prosperity, religion and morality are indispensable support. In vain would that man claim the tribute of patriotism who should labor to subvert these great pillars of human happiness, these firmest props of the duties of men and citizens. The mere politician, equally with the pious man, ought to respect and to cherish them. A volume could not trace all their connections with private and public felicity.

Following our first President's good counsel, I am leading my Administration in efforts to shore up the moral foundations of our individual freedom:

A. PROTECTION OF THE UNBORN

None are more powerless than the unborn. Since the legalization of abortion-on-demand in 1973, there have been an estimated 21 million abortions in this country. I am committed to reducing the number of abortions in this country and reaffirming life's sacred position in our Nation.

The Congress should pass expeditiously my Human Life Bill. The first section of the bill contains a finding that abortion takes the life of a human being and that *Roe* v. *Wade* was wrong not to recognize the humanity of the unborn child. The second section would enact, on a permanent and government-wide basis, the Hyde Amendment restriction prohibiting Federal dollars from going for abortion unless a mother's life is endangered. In addition, the Congress should pass the Human Life Amendment.

At my direction, the Department of Health and Human Services is about to issue regulations prohibiting the use of Title X funds (approximately $140 million) for any program that performs abortion, counsels for abortion, or promotes abortion through lawsuits, lobbying, or other such activities. The regulations also require that Title X programs separate themselves from programs that engage in abortion activities. It is clear from the legislative record surrounding the passage of Title X that its purpose, far from promoting abortion, was one of offering an alternative to abortion and indeed reducing the number of abortions. For some time the program as enforced was standing its essential purpose on its head, effectively promoting abortion instead of reducing the incidence of abortion as intended by the Congress.

Another loophole often used to circumvent prohibitions on using Federal funds for abortions is the use of psychiatric recommendations. Currently the law allows for Federal funding only when an abortion is necessary to save the life of the mother. This law reflects the consensus that abortion may be considered when there is a physical threat to the mother. I am directing the Secretary of Health and Human Services to issue regulations that reflect this consensus and make it clear that only when there is physical danger to the life of the mother can Federal funds be used for abortion.

In August 1987 I formed an Interagency Task Force on Adoption that delivered its final report to me on November 13. I will act to implement the Task Force recommendations and propose legislation where necessary. Each year over 140,000 children are adopted, yet thousands of childless families still wait for children to adopt. There are 36,000 children awaiting adoption, of which about 60 percent are "special needs" children. Many have physical or emotional handicaps, belong to sibling groups, or are older children; they are generally more difficult to place.

This Administration will also work with the States to encourage model legislation that promotes adoption. California's Pregnancy Freedom of Choice Act, for instance, allows the State to reimburse

licensed nonprofit maternity homes for the costs of maternity care and other pregnancy services. Michigan contracts out special needs adoption to private agencies, reimbursing them for the full cost of adoption services up to $10,000. These are exemplary efforts to provide families for children in need of parental love and care.

B. RELIGIOUS LIBERTIES

The First Amendment protects the right of Americans to freely exercise their religious beliefs in an atmosphere of toleration and accommodation. As I have noted in the past, certain court decisions have in my view interpreted the First Amendment so as to restrict, rather than protect, individual rights of conscience. I have repeatedly affirmed my belief that school prayer on a voluntary basis is permissible, indeed desirable, in the public school. In my State of the Union addresses in 1986 and 1987, I expressed my support for a constitutional amendment that would make it clear that the Constitution does not prohibit voluntary prayer in public schools.

One disturbing development in this area of the law has been the exclusion of religiously affiliated organizations from federally funded programs. A recent lower court decision held unconstitutional my Adolescent Family Life Program because the program included religious organizations among those carrying out its implementation. That decision, if upheld, would effectively require the government to discriminate against religious charitable organizations, even when their participation in a program only serves to further its legitimate secular purpose. The Department of Justice is appealing this ruling that I believe to be inconsistent with the First Amendment. Our forefathers came to this land in large part to secure the rights to freedom of religion and individual conscience that they would later establish as bedrock provisions of our Constitution. We must avoid such perversion of the First Amendment. Rather, as we prepare for the 21st century, we must continue to foster the free exercise of religion that our forefathers understood would provide the moral foundations for American society.

CONCLUSION

These then are the legislative and administrative policies that the Administration will pursue in furtherance of the six purposes for which the American people first ordained and established our Constitution. They have been carefully chosen. For obviously not every policy that a President or a Congress may put forward is compatible with our Constitution, even though that policy might be popular. In order to secure the liberty of individuals and political minorities, the Constitution places a number of carefully considered restrictions on the Federal government. The Congress does not, for example, possess a general legislative power, nor the President the power of decree. The Framers proscribed both as inconsistent with limited, constitutional government. Thanks in large measure to their wisdom, America has enjoyed the blessings of liberty for 2 centuries. It is my belief that the policies presented in this message will contribute to the continuing restoration of the Feder-

al government to a sound constitutional footing and thus preserve these same blessings for our posterity in the 21st century.

RONALD REAGAN.

THE WHITE HOUSE, *January 25, 1988.*

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